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GOP Platform

By A. WILFRED MAY

Mr. May at Republican Convention analyzes fiscal, economic, and foreign planks of Platform. Reports Taft's and Dewey's attitudes as indefinite toward currency and other controversial planks; and Dewey as having unorthodox and flexible concept of government intervention.

PHILADELPHIA, June 23—The electorate may well be wondering what a Republican victory will bring to it in various spheres after January, 1949; but such interest is hardly shared in the party's ticket-choosing circus. This conclusion has been reinforced here this morning by the delegates' lethargic attitude toward the platform as expounded by Resolutions' Committee Chairman Lodge. This all-important document, presumably the next Administration's guidepost during the next four years, was accepted without a single question by the unanimous vote of the still unweary delegates,

A. Wilfred May

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See PICTORIAL SECTION for pictures taken at the Convention of the Investment Dealers Association of Canada and the Annual Field Day of the Bond Club of Los Angeles.

Economic Conditions And the Price Level

By KENNETH FIELD*

Director, Industrial Relations Research, Carnegie-Illinois Steel Corp.

Leading steel company economist, noting recent move of large industrial concerns to cut prices, discusses outcome of this action in relation to present economic factors such as situation in money and banking, agriculture, wages and like. Holds wage rises must level off and future wage increases be predicated on more productivity. Does not look for sudden break in prices, contending present post-war conditions differ from those following World War I. Sees end of inflation spiral approaching.

On April 22, 1948, the United States Steel Corporation made a historic announcement to the effect that price cuts aggregating many millions of dollars could be made and at the same time stated it had said "no" to the third round wage demand. The intent was to call a halt to the upward spiral of wages and prices—a spiral that was not in the best interests of any substantial group in the country.

Dr. Kenneth Field

The precedent set by the United States Steel Corp. was followed by much of the steel industry. The general philosophy was adopted by many other industries. The General Motors Corp. has recently granted certain wage increases on the basis of a cost-of-living formula. It is yet too early to judge the impact of this new departure upon the wage patterns of other companies, but it is quite

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*An address by Dr. Field before the National Association of Foremen, Regional Industrial Conference for Northwestern Pennsylvania, June 19, 1948.

Inflation by Escalator

By MELCHIOR PALYI

Economist, Central Life Insurance Co. of Illinois
Visiting Professor, University of Chicago

Dr. Palyi attacks General Motors wage agreement as "inflation by escalator" and as intensifying inflationary spiral, while pretending to dispense social justice and economic flexibility. Says determination of wages by index numbers is dangerous, and what matters is not wage rates, but actual wage earners' earnings. Concludes problem today is not to safeguard purchasing power of wages, but to check basic element in wage-price spiral.

I

Two and a half million jobless last winter, out of a labor force of 54 millions or so, sounds like a near-normal (boom-time) percentage of unemployment. But it was nowhere near normal; still less so at the one and three-quarters million level in May. It consists of unemployables, or those who want to take an extra vacation with benefits, or are changing their jobs, or are thrown on the street by strikes of fellow-workers. **Truly involuntary unemployment** — inability to get a job even below current rates of pay — **is virtually nonexistent.** We have no unemployment today in the sense in which that phenomenon used to be ever-present in capitalistic society, not even to a moderate extent. Consequently, as a rule, additional workers can be hired only by luring them out of other work — which means continuously rising

Dr. Melchior Palyi

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EDITORIAL

As We See It

Wanted: Mandates This Autumn

Obviously enough, things political are developing in highly orthodox fashion. Both professional and popular interest has centered in candidates rather than in issues. The "platform" of the Republican Party is typical. Possibly it had to be since the party itself is so definitely divided on some of the most vital of the questions upon which this document was obliged to make some kind of declaration. On the assumption that the Democratic Party selects President Truman as its standard bearer, it would appear more or less unavoidable that the platform of that party endorse what he as its titular leader has been doing and saying during the past two or three years. Indeed, whether the platform so endorses it or not, the party would, one would ordinarily suppose, be held responsible for it.

The difficulty of the situation and one of the most unfortunate aspects of the current state of affairs is found in the fact that it would be very difficult to determine precisely in what degree these statements and

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Strengthening U. S. Economy

By HON. CHARLES SAWYER*
Secretary of Commerce

Asserting no single thing is of greater importance to Americans today than that their business system should continue to operate freely and efficiently; newly appointed Commerce Secretary analyzes moves to maintain and build up foreign trade and relieve shortages, but warns we can no longer consider nation as one of inexhaustible natural resources. Says present economic pressures spell danger of inflation, and warns against American complacency.

I left Cincinnati to accept President Truman's offer of the position as Secretary of Commerce because I was convinced that the work of the Department of Commerce is vital to the national welfare. It is vital because its primary function is to help American business, and I am one of those who believe that the success of American business is essential to the successful operation of our social, economic and governmental systems. We have a Department of Labor and a Department of Agriculture, to aid two of the great sectors of our economy; and while these Departments do of course have an interest in business, their primary concern is in other fields. But the Department of Commerce, as its name implies, deals directly and primarily with commerce—with business. In the statute creating it, the Department was charged with the duty to foster and promote foreign and domestic commerce, and as the Secretary of Commerce my chief responsibility is to help business and businessmen, not any one kind or group, and not just the businessmen of any one particular area, but all business groups and interests in all parts of the country.

Charles Sawyer

I am emphasizing that point because I want to assure you that what I shall say and do, during my tenure of office as Secretary of Commerce, will be based upon that responsibility. No single thing is of greater importance to Americans today than that their business system should continue to operate freely, smoothly, efficiently and at the greatest possible capacity.

It is no exaggeration to say that America's gravest responsibility today—to itself and to the world—is to maintain its own robust economic strength: not from any desire to seek an illusive security in isolation and withdrawal, but because the very possibility of creating and maintaining a free, peaceful world is based upon the existence of a strong, productive and prosperous American economy.

U. S. Leadership Has Economic Bases

We often remind ourselves that we are in a position of world leadership. Let us never forget that that world leadership has an economic base. It comes to us, not merely because of our free institutions and our democratic principles, but also because of our immense productivity—our unparalleled economic strength.

American prosperity and productivity at this time are a protection to all of those devastated by war; a first line of defense, all across the world, for those who are under dire military and economic pressure. If we at home are to raise our standard of life, and if the world as a whole is to recover from the war and build for a better future, our great economic strength must be maintained and our productivity must be still further developed and expanded.

In meeting its responsibilities in regard to the problems of American business, the Department of Commerce has to deal with an extremely complex situation. Domestic problems and policies interlock with foreign problems and policies, and we must keep clearly in mind the fact that prosperity is like charity in one respect, as far as we are concerned—it must begin at home.

The complexity of our problems is illustrated by the Department's work in connection with the promotion of foreign trade. We all know that a sound, healthy foreign trade is vital to our own prosperity. For many years the Department has worked extensively to keep American business informed on the opportunities in the foreign trade field, to reduce barriers to a free flow of trade, and to help in every way possible to find and expand markets for our overseas traders. Yet today, while we are meeting that obligation, we must also concern ourselves—through our Office of International Trade—with the exercise of a proper control over our exports to make sure that our export trade is actually a help to our own economy and not a handicap, and that it is directed to proper destinations and uses overseas. Through our handling of export licenses, we undertake to prevent the draining away of critical materials, and to insure that our export program does not deprive us of resources which are essential to our own industrial and commercial prosperity.

This entire operation is keyed to the unhappy fact that many of the goods and materials which America and the rest of the world most need today are in very short supply. That fact also affects the work we do to help domestic commerce and industry.

Voluntary Agreements in Industry

Some months ago Congress passed what is known as Public Law 395, which provided among other things for the so-called voluntary agreements in industry. It was hoped that by voluntary agreements we could avoid the imposition of price and priority controls in our domestic economy. The Department is endeavoring as faithfully and rapidly as it can to make this program effective. We are meeting continually with industry advisory committees to determine what important products are in critical short supply, what manufacturing bottlenecks exist and what agreements in industry can remedy the situation.

The problem of shortages which occurs throughout our domestic economy is equally pressing overseas and frequently the same shortages exist at home and abroad. Our foreign and domestic problems are inextricably tied together; in fact it is one problem. It can be approached effectively only by a careful examination of our own resources and the manner in which our economic machine can be kept in high gear.

Take steel as a case in point.

Steel is fundamental to the restoration and expansion of capital equipment in Europe — which means that it is basic to the restoration of European production. But steel is also basic to the operation of our own most important industries — the construction industry, automobiles, transportation, and so on. And steel is in very short supply. What steel we send abroad we send at the temporary expense of our own needs. If we send too little, we delay European recovery and involve ourselves in a relief program of indefinite duration and very great expense; on the other hand, if we send too much we detract from our own strength and make it impossible for our country to meet its obligations either at home or abroad.

The urgency in respect to steel goes beyond the matter of our exports. To make steel we must have scrap, and the scrap problem in America is daily becoming more critical. Our present production of steel cannot be maintained unless other sources of scrap are utilized. Some of the scrap we need must come from the battlefields of the devastated areas in Europe and the Pacific. Some months ago a committee representing the State and Commerce Departments, the Army and industry surveyed the scrap situation in Germany and reported that there are available in Germany millions of tons of scrap aside from that normally available to German steel mills. We are now working with the Army in an effort to make that scrap or a substantial portion of it available to the steel mills of this country.

The freight car situation on American railroads shows how the

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*An address by Secretary Sawyer before the Advertising Federation of America, Cincinnati, O., June 14, 1948.

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General Motors as A Market Forecaster

By STEPHEN J. SANFORD
Wall Street Analyst

Commenting on results of a survey of financial forecasting, Mr. Sanford maintains investors would do much better to watch General Motors common stock as a market bellwether. Analyzes movements of General Motors shares over last 30 years.

We are now in a bull market. So say the Dow Theorists after a year of hesitation. The one all-important question now is—for how long?

Forecasting the trend of the stock market has for years held a fascination for bankers, economists, writers, chartists and ordinary board-room traders. As a business it must be lucrative, judging by the large number of advisory services and tipster sheets which flourish perennially, but as a guide for uninformed investors seeking aid in the successful management of their portfolios, it fail miserably. The results are undeniably bad.

In an issue of "Your Investments" some time ago, the results of a survey by Alfred Cowles were quoted:

"(1) The records of 11 leading financial periodicals and services since 1927, over periods varying 10 to 15½ years, fail to disclose evidence of ability to predict successfully the future course of the stock market.

"(2) Of the 6,904 forecasts recorded during the 15½ year period, more than four times as many were bullish as bearish, although more than half of the period was occupied by bear markets, and stocks at the end were at only about two-thirds of their level at the beginning."

So rarely is the turn called correctly by one of these experts(?), that, when it does occur, the financial pages are splashed for weeks and months afterward with large advertisements boasting of the phenomenon.

Investors seeking aid in the rather difficult business of accumulating a fortune would do much better to watch General Motors common stock as the market bellwether and to forget the services.

This colossus of American industry, with 44,022,000 common shares outstanding, held by some 405,000 individuals and institutions, certainly could never be manipulated by any coterie of traders, no matter how powerful, under present stringent regulations. Its movements are the result, solely, of the fundamental law of supply and demand. A large buying or selling order by an investment trust that might influence quite definitely a thinner issue, can have only temporary influence on a giant of this magnitude.

In the past 19 years, General Motors stock has consistently been months or weeks ahead of the general market, establishing its bull market highs well in advance of the Dow-Jones Industrials and likewise recording its bear market lows before the same set of averages.

The next logical step is to determine when the stock is making these highs or lows. In any bull or bear market, issues establish new peaks or bottoms one month enjoy technical rallies, and then surpass previous marks the next. Such a procedure can go on for years.

General Motors common, however, may always be assumed to have recorded its peak if it is unable, in a bull market to better its price in the ensuing *four months*. If, at the end of this time, no new high has been recorded for the stock, it is a signal that the bull market is about over and that an important reversal of trend is imminent.

In bear markets, the same sort of signal is given. When no new low has been established over a period of *four months*, it is a sign that a bull market is in the making.

This four months is often a patience-trying period, but it is insurance against being misled by a false move or jiggle and being neatly whipsawed.

Historically, let us first consider the debacle of 1929. On March 21 of that year, General Motors reached a peak of 91¾ on a day when trading on the Exchange nearly reached the 4½ million share mark (trading the previous day had surpassed 5 million shares). The turnover in General Motors was extremely large, 452,700 shares changing hands. This accounted for more than 10% of the total business transacted that day. The newspapers next morning carried stories that interests associated with William C. Durant had been heavy buyers. The stock closed off on the day, and recalling pool practices of that era, one need not be a cynic to suggest the possibility that these interests may have been the heavy sellers, and the public the buyers. Despite churning, the stock was never able to duplicate or better this price again.

Four months later, on July 21, General Motors was selling at 68 Here was the definite signal—the bull market was over—although not until Sept. 3, or 6 weeks later did the market establish its all-time peak of 381.17 in the Dow-Jones Industrials.

From the heights to the depths required less than three years, so that on June 30, 1932, we find the stock selling at the ridiculously low price of 7⅝. Only five weeks later, on July 8, the averages hit bottom with a mark of 41.22. This is the only instance, of the movements under consideration, when the time element varied substantially from the four-month period.

The major bull market of the '30s culminated on March 10, 1937, when the averages closed at 194.40. Four months earlier, General Motors had signalled this by reaching its high of 77 on November 9, 1936.

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"Dollars and Sense"

By ORVAL W. ADAMS*
Executive Vice-President, Utah State National Bank,
Salt Lake City, Utah

Asserting dollars and sense are no longer partners, prominent Western banker warns unless sentiment is aroused to effect an economy program, tax burdens and inflation may destroy our capitalistic system. Points out absence of sound money is causing retreat from liberal principles and is leading to police government. Urges bankers and insurance men to take active part in education for sound money restoration and sound fiscal principles. Scores New Deal spending philosophy and calls for end of mania for incurring debts and perpetuating deficits. Wants gold standard restored.

President Joe Dodge of The American Bankers Association, introducing the Anti-Inflation Program, said: "As a Nation we are suffering from the diseases arising from 11 consecutive years of peacetime government deficit financing before the war, the unavoidable deficits during the war, and deficit financing and enormous government expenditures since the war. For 14 years we have been careless about money, and the needs of the war magnified that carelessness. The strength of our economy has been diluted with a flood of money — there is too much money chasing too few goods. Costs and prices, and the demand for goods are rising more rapidly than the supply. This is inflation.

Orval W. Adams

I know one notion is that money
Is but a paper thing and funny,
And some men find it almost comical,
When debts reach figures astronomical.
I know my own beliefs seem wild—
That money is but labor's child,
And has no honest being yet,
But as the fruit of toil and sweat;
For I was taught and lived to learn,
That dollars spent, some one must earn.
It may be there's some bright solution—
Billions may be but elocution,
Produced like rabbits out of hats,
By Congressmen and fireside chats.
It may be we can keep on spending,
In ways that have no bitter ending,
With money going round and round,
Divorced from anything but sound.
It may be so, we might achieve it—
But, Uncle Sam, I can't believe it!
I can't believe it!
—by Adin Ballou.

"Too many people have acquired the false notion that we can borrow and spend and tax, and that this process is good for the economy, and brings with it no penalties. We seem to have accepted the fantastic idea that a man can be paid twice as much for the work he used to do without paying any more for what he buys. Somehow we have acquired a vicious habit of believing that money and the value of money does not matter. We have become so indifferent to the use of money and debt that we should not be surprised at the results. Now we begin to see the penalties. Both money and debt are having their revenge.

"We have alarming symptoms of the same inflationary disease which so seriously affects the economies of the rest of the world. Most of us believe that a substantial part of Europe's trouble can be corrected with a combination of sound money and hard work. This is a formula which is not without its application in the United States."

What he said provides the justification for what I am about to say. Dollars and sense are no longer partners; they have been divorced.

American bankers must know and teach specifically:

That the well-being and destiny of all peoples center in the preservation of sound money sense.

That the problem transcends in importance, parties, politics and partisanship.

That all through history, governments have multiplied their functions at the expense of the property, liberty, and lives of their citizens, and representative republics have not been spared in this process of exploitation.

That politicians of all persuasions are disposed to make public office a personal, vested interest, and frequently political parties have been built up and maintained by the common practice of feeding their following out of the public treasury, giving little thought to the vital principle of sound money — the foundation upon which national solvency is maintained. They discover that it contributes to their perpetuation in office to find and to exhaust new sources of revenue, to create more jobs as rewards for party adherents, to permit more and more people to fatten on the public payroll, to make more and more citizens economically dependent upon the public purse. To tax, tax — spend, spend — elect, elect — and by prolific spending of "senseless" currency they aim to entrench themselves in office. When once a party is powerful enough, by the application of such methods, to defeat or crush its opponents and to modify or nullify constitutional restrictions so as to extend its powers, then a representative republic is transformed into socialism and eventual dictatorship. A dictator is nothing more than a receiver for a nation gone bankrupt.

Suppose Congress continues the issuance of printing press currency? Suppose that the politicians in office further practice the perfected trick of corrupting the public with "senseless" printing press money? Suppose that under the attractive philosophy of an "economy of abundance," deficit spending promoted under a paternalistic government, the voters are further duped and deluded to permit unrestricted political despoliation of the national wealth? Suppose that many people still believe that it is possible to get something for nothing, and would join in the further systematic looting of the public treasury? What then?

Historians, and the wisest political thinkers of all time, have repeatedly given us the answer. In one voice they declare that that is precisely the manner in which all preceding democracies have destroyed themselves.

Diseases of Capitalism Can Be Remedied

We hear much today of the evils of capitalistic exploitation. If such evils exist, and they do and always have, all informed citizens will welcome their removal, but by wise, just legislation. But what we should see to is that the hoped-for cure is not more malignant than the disease. If we are to retain any vestige of the consent of the governed, we, like our fathers, must stand out against any effort to multiply the powers of government. It is this vigilance which will prove to be the price of our liberty.

American citizens will not wittingly accept the establishment of a totalitarian state in this land. They will fight it, if they are able to recognize it as it creeps upon them. There are among us some who would exchange political liberty for what they imagine is economic security. In this they ignore the historic fact that economic liberty or any other liberty is impossible without political liberty. When will the mass public, who hold the voting control, be made to understand that solvency is no small matter? It is a sacred thing. It is the very corner-

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*An address by Mr. Adams before the Wyoming Bankers Convention, Sheridan, Wyoming, June 19, 1948.

The 850-Billion Dollar Question

By LEON H. KEYSERLING *
Vice-Chairman, Council of Economic Advisers

Government economist cites enormous figure as representing difference between full employment and instability over next 10 years. Pleads for middle course between full and no government intervention, stating that blend between private action and government functions is vital for free enterprise.

The topic assigned to me is "The Impact of Government Policy upon Marketing." The choice of this topic by those arranging this meeting indicates a realism and sophistication which should be heartening to all those currently interested in the welfare of our economy now and for the long pull.

Leon H. Keyserling

It is refreshing to note, when some want to set business and government in two hostile camps, and when some can see no middle course between a government which does everything and a government which does nothing, that a representative group of business people realize, that the genius of America has consisted in the practical blend of private action and governmental functions without the distortion or sacrifice of either. The improvement of this blend in future is vital for our free enterprise system no less than for our free institutions.

In our domestic economy the great, central problem that we face is whether we can maintain prosperity, whether we can achieve a constant rate of stable growth over the years, or whether the peaks of prosperity will again be succeeded by the valleys of depression. In the final analysis, our current concern about inflation is inseparable from this central question. While inflation creates headaches and hardships, even while it lasts, we all know that these headaches and hardships are secondary to the problem of whether inflation will be followed by lasting prosperity or whether it will generate a depression even though a leveling off or plateau period may come between the upswing and downswing.

This central problem that I pose might be called the $850 billion question. For if on the one hand we suppose over the next 10 years the maintenance of reasonably full employment and prodinary advances in science or techniques, and if on the other hand we suppose over the next 10 years a pattern of instability even roughly similar to that between 1922 and 1932, the **difference** in our total national output over this 10-year period, depending upon which of these two routes we follow would come to approximately $850 billion. This figure needs no embellishment to convince this group of the stake that we all have in ironing out the enormous swings of the business cycle even if we cannot achieve perfect stability.

Not only our domestic livelihoods, but even our very lives, may depend upon how well we do this job. Nothing will have so large a bearing upon the prospects for enduring peace as whether the American economy remains sturdy, retains its world leadership, and thus makes it clear that the democratic manner of life reflects the survival of the fittest.

Private Action Preferable to Public Action

It is simple to state the general principles that should guide government policies in their relation to the economy. These principles are, first, that where other things are equal private action is to be preferred to public action and we should therefore seek to cultivate an environment in which this becomes increasingly feasible; and, second, when public action is necessary because other things are not equal, we should strive to make that action so consistent and so sound that it clearly contributes to the long-run stability of the economy as a whole.

But while these principles are simple, their application is immensely difficult because neither business analysis nor economic science has yet given us that sufficiently clear picture of our whole economy in operation which must be attained before we can get that economy to work even better in the future than it has in the past. There are those who with great competence look at the economy from the viewpoint of the producer or the distributor, the seller or the buyer, the plant manager or the labor official. But there are all too few who are examining, from the perspective of the whole national interest, the way in which these segments of our national economic life may be harmonized because they are inseparably intertwined. It is this kind of broader view which is essential to a sound wage policy, price policy, profit policy, or marketing policy.

A first task of government, therefore, is to encourage and help to develop this broader description and analysis which lies at the foundation of workable economic adjustment. The Employment Act of 1946, and the activities under it, may best be described as an effort in this direction. This effort can make measurable progress only if it is widely understood, only if it is made a cooperative effort, and only if individuals and groups throughout the economy recognize the responsibility to help constructively without surrendering the eternal right of fair criticism.

I would like to see developed over the years the concept of a national prosperity budget, which in broad outline would set forth the desired levels of employment, production and purchasing power, and also depict workable relationships among the various elements in the economy. This for the first time would provide a tangible measuring rod of the wisdom or unwisdom of specific policies in terms of their effect upon the economy in general. Such a national prosperity budget would be a guide and not a command; it would be forced upon no one;

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*Excerpts from address of Dr. Keyserling before American Marketing Association, June 14, 1948.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

The over-all picture of industrial production last week was a favorable one with output for the most part comparing well with that of the corresponding period of last year.

The closing of the schools and colleges made for an increase in the labor force and employment and payrolls as a result reflected some slight increase in the week.

With respect to raw materials, shipments for the week continued to be prompt, but order backlogs, on the other hand, while they remained very large in some lines, were generally somewhat under the level of a year ago.

With demand for steel far in excess of supply, the American Iron & Steel Institute in its annual report on the distribution of finished steel products for 1947 gives the answer to the question, "Who is getting the tonnage?"

The official figures show no major deviations from the normal peacetime pattern of steel consumption. The automotive industry, exclusive of tractors, led all other direct consumers with 8,846,419 tons, or 14.03% of the total. Other leading consumers in order of tonnage were construction and maintenance, containers, rail transportation, exports and machinery and industrial equipment.

* * * * *

Tariff experts of the railroad industry look forward in the near future to some sort of final action from the Interstate Commerce Commission on the carriers' plea for higher freight rates. All but 8% of the series of appeals by the railroads to the Interstate Commerce Commission for permission to raise rates 29% to assist in offsetting rising costs of equipment and labor have been approved. The case is being held open by the Commission pending its further review.

Based on advance reports from 82 Class I railroads, whose revenues represent 81.5% of total operating revenues, the Association of American Railroads last week estimated that railroad operating revenues in May, 1948, increased 9.7% above the same month in 1947. The estimate covers operating revenues only, and does not take into account substantial increases in operating expenses that have taken place since May, 1947, as a result of increases in wage rates and material prices. Estimated freight revenue in May, 1948, was greater than in May, 1947, by 12.6%, but estimated passenger revenue decreased 7.8%.

* * * * *

The dispute in the rail, steel and coal industries over wages and other demands remained far from settled last week. In the rail dispute, the Senate on Tuesday of the past week returned the controversial wage-rules problem to management and labor following a Senate Committee hearing on the issue, while the wage committees of the Brotherhood of Railroad Trainmen and the Order of Railway Conductors the day before, added complications to the situation by voting to demand a 25% wage increase from the nation's major railroads. A deadline of Aug. 1 has been set for the increase. The two groups are not involved in the present dispute with the nation's carriers.

Reports stating that the United States Steel Corporation planned to offer a 10-cent hourly wage increase to CIO United Steel Workers were denied on Monday of last week. Both the company and a union spokesman denied such action had been taken.

The soft coal dispute found the President on Friday, last, for the second time this year handed the responsibility for heading off a nation-wide soft coal strike.

Federal Conciliation Chief Cyrus Ching relinquished his efforts to arrive at a settlement and turned the problem back to Mr. Truman, who is expected to act quickly and name a fact finding board in keeping with the Taft-Hartley Act to report on the dispute between John L. Lewis, United Mine Workers head, and the mine operators.

* * * * *

Graduations, weddings and vacations stimulated the consumer demand for many types of gifts and seasonal merchandise during the first half of June. The total dollar volume of retail trade increased somewhat and continued to compare favorably with that of a year ago. The response to scattered mark-down sales of some merchandise was enthusiastic; but there was slight demand for luxury goods. Requests for credit and instalment buying continued to increase. While collections were prompt, they were slightly slower than a year ago.

Stimulated by Father's Day promotions, many consumers increased their purchasing the past week. The total dollar volume of retail trade was moderately above the levels of both the preceding week and the corresponding period a year ago. Practically all types of seasonal goods remained in large demand and shoppers continued to seek moderately priced and bargain merchandise.

Retailers generally continued to confine their purchasing to current needs during the week. Wholesale dollar volume, however, held close to the high level of the previous week and was moderately above that of the like week of 1947. Many buyers sought merchandise for special promotions and mid-Summer mark-down sales.

STEEL OPERATIONS AT MODESTLY HIGHER TREND FOR CURRENT WEEK

If any steel company has managed to build up a little coal stock in recent weeks, the miners' vacation will take care of that. Then if the government has to go through the by-now-routine action of issuing an injunction against the United Mine Workers a little more coal may be lost. But what really is upsetting to the steelmen is the unfortunate position they must occupy until the whole coal controversy is settled once and for all with a new contract, according to "The Iron Age," national metalworking weekly, in its current review of the steel trade.

There was no indication this week that the coal impasse would be settled soon—either way. It may also be that the resentment of the coal miners will be stored up and will burst

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Federal Reserve Survey of Consumer Finances

By DUNCAN McC. HOLTHAUSEN*
Division of Research and Statistics, Federal Reserve System

Analyzing 1948 survey of consumer finances, Mr. Holthausen reports a sizable upward shift in 1947 in income distribution as compared with two previous years, but, despite this, there was a decline in savings out of income. Illustrates use of consumer finance data for sales forecasting, and concludes, as more consumer units are disposing of their liquid assets, it is probable there will be increasing demand for consumer credit.

For the third successive year, the Board of Governors of the Federal Reserve System has sponsored a Survey of Consumer Finances. These annual surveys provide insights into the shifting financial positions of consumers; their purchases and plans to purchase durable goods and houses; their current attitudes and plans with regard to saving, liquid asset holdings, and investment; and their expectations as to general economic conditions.


D. McC. Holthausen

The Consumer Finances Surveys are conducted for the Board by the Survey Research Center of the University of Michigan. They are based on approximately 3,000 to 3,500 interviews taken in 66 geographic areas distributed throughout the nation. The sample for the survey is selected by the method of area sampling, and sample points include the 12 largest metropolitan areas in the country and 54 counties. Different samples, each representing a cross-section of the nation's consumers have been used in all three surveys. The interview unit is the consumer spending unit, defined as all persons living in the same dwelling and belonging to the same family who pooled their income to meet their major expenses. Spending units are interviewed because it is believed that they represent consumer units of economic decisions, actions, and plans better than families or individuals. Interview methods, however, do permit tabulation of many survey results on a family basis also.

A general summary of the preliminary significant findings of the 1948 Survey of Consumer Finances as well as details on expenditures for durable goods have already been released to the press and will be published in the June "Federal Reserve Bulletin." Survey results pertaining to the distribution of consumer income in 1947 are being released and this information will also appear in the June "Bulletin." Subsequent articles to appear in succeeding issues of the "Bulletin" will present more complete information about liquid and non-liquid asset holdings, saving out of income, and housing expenditures and finance.

Findings of 1948 Survey

I should like to first discuss some of the significant findings of the 1948 Survey.

Of the total number of 48.4 million spending units, about 2.5 million more units in 1947 than in 1946 had money incomes of $5,000 and above, while about 2.5 million fewer consumer units had incomes below $3,000. In all, there were about 31 million spending units with incomes of $2,000 and above and 17 million units with incomes under $2,000 in 1947. As compared to both 1946 and 1945 this was a sizable upward shift in the income distribution. In relation to income during a period such as 1935-36, current levels are phenomenally high. No more than 6.5 million consumer units had incomes of $2,000 or more in 1935-36 and 33 million consumer units had incomes of less than $2,000.

About half of all spending units reported increases in income between 1946 and 1947. Within occupational groups about three-fifths of the skilled and semi-skilled workers and about the same proportion of professional persons and clerical and sales personnel said that their 1947 incomes were larger than 1946 incomes. Fewer self-employed persons, farm operators, and unskilled workers than persons in other occupational groups reported increases in income and more reported decreases in income.

Personal Holdings of Liquid Assets

At the beginning of 1948 personal holdings of liquid assets excluding currency (i.e., government bonds, checking accounts, and savings accounts) amounted to about $130 billion. While somewhat fewer consumer units held liquid assets early this year as compared to a year ago, total amounts held by consumers were still widely distributed throughout all income groups. It was estimated that spending units with incomes below $5,000 held about $70 billion in liquid assets at the beginning of 1947 and survey data would indicate that persons in these income groups still had sizable holdings as of the beginning of 1948.

Survey results show that the further decline in the amount of saving out of income in 1947 was the result of heavy dissaving (i.e., expenditures in excess of income) on the part of more than one-fourth of all spending units and of somewhat smaller amounts saved by other spending units. During 1947 there was a substantial increase in the number of dissavers with annual incomes of $3,000 to $7,500.

The financial status of consumers, in summary, was strong at the beginning of 1948. Money incomes and liquid asset holdings were at peak levels and widely distributed. Some consumer units showed signs of a weakening financial status by using up their liquid asset holdings to meet higher living costs during 1947. Many spending units felt the pinch of higher living costs. But on balance, consumer units were still relatively well off financially. About one-fourth of all spending units actually spent more than their incomes in 1947, but this was really a reflection of consumer willingness to spend freely as many consumer units drew on liquid assets or used credit for the purpose of purchasing consumer durable goods.

Consumers Optimistic Regarding Incomes

Most spending units were still optimistic about the future. The great majority expected their incomes in 1948 to be higher or at least the same as in 1947, and many expected a continuation of prosperous times.

What about the buying plans of consumers? Did they reflect this financial well-being and this general optimistic tone? For consumers as a whole, the answer is "yes." At the beginning of 1948 as many consumer units planned to buy automobiles and other selected durable goods as at the beginning of 1947. There was some indication of a drop in the prospective demand for new cars

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*An address by Mr. Holthausen before the American Marketing Association, Washington, D. C., June 14, 1948.

"OBSERVATIONS"
See Cover Page for this week's article by A. Wilfred May

Economic Trends and Interest Rates

By THOMAS E. LOVEJOY, JR.*
First Vice-President and Treasurer
The Manhattan Life Insurance Company

Insurance financial executive reviews recent adjustments in interest rates and their relation to economic trends. Scores lack of consistency in policies of Treasury and Federal Reserve, and concludes balance of factors point to good business for some time, and that there will be a gradual increase in interest rates. Warns against over-building by industry and undue expansion of retail credit.

Since V-J Day, economists have been predicting that within six months we are going to have, not a depression, but a recession. Perhaps the gloomiest of such forecasts have come out of Washington. But, much to the surprise of many people, including myself, this depression or recession has not materialized, although last winter it looked like it might be on the way. Perhaps one of the reasons why this recession did not materialize was due to the fact that it was so well advertised that businessmen used greater care than usual in making commitments and plans for their business—they did not over-extend themselves—and, as a consequence from the overall picture, some of the weaknesses in our economy did not gather momentum.

Thos. E. Lovejoy, Jr.

Today we are told that business is good, and that we can look forward to good business for some indefinite period ahead. Perhaps that is true, but I also know of several business organizations that have been operating at a loss since the first of the year and are facing serious problems. Some of them are well known to the public, such as the airlines, which have been having their problems now for two years. There are others which are not generally known. I would say that the main difficulty that these particular enterprises are suffering from is their inability to rapidly eliminate the wasteful practices that cropped up during the war—they have been finding it difficult to adjust their operating costs, and the margin of profit has disappeared.

The Recent Increase in Interest Rates

A little while ago I said that last fall and early last winter it looked as if the depression forecast by the economists was on the way. You probably recall the sharp increase in interest rates last fall and winter—the drop in government bond prices to levels where the Federal Reserve had to support the market, and there was a great deal of talk about the possibility of breaking the interest pattern established during the war, and even some questioning of the ability of the Federal Reserve to support the government bond market. In fact, there was some hysteria shown in the way that government bonds were dumped. Looking back, it is easy to see now that the pendulum swung too far last winter. What happened to change this trend? From the over-all picture, I would say that the public began to realize that, generally speaking, business activity was holding up, the earnings of corporations were good—as good as 1947 and, in some cases, better. They realized that the rearmament program and the ERP program would provide a stimulus for business which would cushion any recession which might otherwise show up later in the year. There was a complete change in the entire psychology of the people. This was reflected in an improvement in stock market prices. Also, there was an improvement in prices for corporate and government bonds, and now it looks as if the pendulum is swinging a little too far in the other direction. The stock market has shown substantial improvement in prices during the last three or four weeks. How sound the stock market is I am not capable of saying. If you are a Dow-Jones theorist and a chart reader, you would say we are due for a bull market. The signal has been given. But there are a lot of people who distrust this stock market—they say this market reflects a false spurt in business which will result in further inflation in prices and in increases in living costs—they also say that when the day of reckoning comes, this increase in prices and increase in living cost may make the crash all the harder when it does come. I am inclined to agree with the latter.

A Presidential Election Year

One thing that many people have overlooked when trying to analyze conditions today is that this is a Presidential election year. Neither party wishes to take the

(Continued on page 31)

*A talk by Mr. Lovejoy at the 44th Annual Convention of the New York State Association of Real Estate Boards, Saranac Lake, N. Y., June 17, 1948.

Marshall Plan Uncertainties

By PAUL EINZIG

Commenting on House of Representatives reduction in appropriations for European aid, Dr. Einzig holds it has had depressing effect in Britain and has led to loss of confidence in Marshall Plan. Sees strong opposition to alleged condition that U. S. should determine tariff policies of beneficiary countries.

LONDON, ENGLAND—The decision of the House of Representatives to cut the amount of ERP aid fixed by Congress less than two months ago came as a great shock to British opinion. When the ERP Act was passed it was, of course, pointed in the Press that Congress would have to pass an Appropriation Act before assistance could actually be granted. But this was generally regarded as a mere formal matter, and nobody on this side paid much attention to it. Under the influence of the surprise of the bad news, a wave of pessimism developed in London. It manifested itself in a minor slump on the Stock Exchange.

Dr. Paul Einzig

At the time of writing, it is not yet known whether Congress will eventually restore the whole or part of the cut. Even if the original amount should be restored, the effect produced by the action taken by the House of Representatives is likely to remain permanent. It has introduced an element of uncertainty which is likely to react unfavorably on the economic and political situation.

Until the cut decision, there was a widespread feeling of confidence in the success of European reconstruction. It is true, even the original figure of Marshall aid was considered far from sufficient to meet vital requirements. Nevertheless, the promise of very substantial assistance over a period of years encouraged constructive efforts, and created an optimistic atmosphere in which these efforts stood a chance of succeeding. It itself, the actual amount of the cut, substantial as it is, would not make a fundamental difference in this respect. What is very worrying is the widespread feeling that, judging by this experience, Europe cannot really depend on the continuation of Marshall aid, and the fear that Congress may not pass the next annual instalment. It is felt that in the circumstances the edifice of European reconstruction is being built on shifting sands. The European countries may become even more reluctant than they have been hitherto to adapt their economic policies to the requirements of ERP. They may feel that, after all, their salvation lies in isolation. They may not consider it justified to reorganize their economies if the continuation of Marshall aid after the end of the first year appears to be doubtful.

From a political point of view, the action taken by the House of Representatives has greatly strengthened Communist propaganda against the Marshall Plan. The view is widely held that, had this happened before the Italian election last month, the Communist would have secured a majority. And it is feared that, should there have to be a general election in France this year, the uncertainty of American assistance would influence many votes in favor of the Communists.

In addition to the shock caused by the decision of the House of Representatives, the popularity of Marshall aid was put to a rather severe test also by American Press reports about the alleged conditions contained in the bilateral agreements to be concluded between the ERP Administrator and the European governments. If only half of these reports prove to be true, the British Government and many continental governments will have a hard task in inducing their Parliaments and public opinions to accept the conditions. According to one of these reports, the U. S. Government would reserve the right to determine whether the currencies of the European countries concerned would be devalued or not. This condition would place the European countries at such a grave disadvantage that many people would prefer to forego the benefits under the Marshall Plan rather than submit to it. Currency is the lifeblood of a nation, and it seems inconceivable to place it at the mercy of any foreign government. Even when the Continent was under German occupation, the devaluation of the currencies of the occupied countries was a matter of negotiations between conqueror and conquered; it was not imposed unilaterally on the latter.

Another alleged condition is that the U. S. Government would assume this right to determine the tariff policies of the beneficiary countries. This is interpreted over here as meaning that Imperial preference could be terminated at will. Should this prove true, it would arouse strong resentment even among the most pro-American sections of British opinion. Communist propaganda, which has appropriated for its own use Dr. Goebbels's wartime allegation that "the chief aim of American foreign policy is the disruption of the British Empire," would find ready believers even in quarters which usually pay very little attention to it. The acceptance of such a condition would result in the development of very strong opposition to Mr. Bevin's foreign policy, and might lead to his replacement by Mr. Dalton, under whom Britain would seek to attain a position of "neutrality" between the United States and Russia, instead of being wholeheartedly on the side of the former.

The British Government is anxious to avoid a debate in Parliament on the Marshall Plan, and its answers to questions on the subject are always noncommittal and evasive. Sooner or later it will be raised, however, and the terms of the proposed bilateral ERP agreements cannot be kept secret indefinitely. Unless the forecasts prove to be entirely unfounded or at least grossly inaccurate, there is every likelihood of trouble compared with which the shock caused by the cut decision by the House of Representatives would fade into insignificance.

Hellenic-American Chamber of Commerce

The Hellenic-American Chamber of Commerce has been formed in New York for the purpose of fostering trade relations between the United States and Greece, K. P. Tsolainos, Chairman of the new organization, announced at the special ceremony held at the offices of the new organization, 25 Broadway. Mr. Tsolainos is a general partner in the Investment Banking Firm of Baker, Weeks & Harden, One Wall Street, New York 5, N. Y.

From Washington Ahead of the News

By CARLISLE BARGERON

PHILADELPHIA, PA.—Few wealthy men have ever taken as much political abuse as J. N. Pew, Jr., Chairman of the Board of Sun Oil. But today he is about to realize his ambition of getting the New Deal out of Washington. He is happier than he has been in many years.

Carlisle Bargeron

More recently the political sniping against him has taken a peculiar twist. Heretofore he has been charged with being a political boss. As the time for the Republican National Convention approached, the line has been that he had no influence. Some columnists have harped on the idea that he "controlled" only five votes. Some of the many rival forces at the convention, in fact, failing to get his active support, have followed this means of disparagement.

It is rather strange for a man so lacking in influence to have such an assemblage as he did at his home for dinner on the eve of the convention. This writer has never seen a more distinguished and important group gathered under one canopy.

Furthermore, to his suite in the Bellevue-Stratford, there is a steady trek of important visitors throughout the day. It is my considered judgment that no man in this convention has any greater influence.

This influence is not measured in terms of delegates he "controls." Knowing him as I do, I am convinced that it has never been his ambition to "control" anybody. He is not that type of man. Accordingly he has never been a political boss. There has never been an office he wanted; I doubt seriously that anyone can recall a favor he has ever sought.

His active interest in the dirty and brutal game of politics began in the early days of the New Deal when it looked as though the Republican party would never arise again. Men of wealth, business men had become intimidated. They continued to give perfunctory support to the party. But few if any of them had the hardihood to make a real fight. Those who did not flock to Washington to assure the New Dealers that they "understood" them and wanted to cooperate with them, took for the storm cellars.

Joe Pew, as he is so widely known, was not afraid. Almost as one man he gave the New Deal challenge.

Once he did this he worked indefatigably. Of course, as is widely known, he gave generously of his money. He also gave generously of his time and energy.

Instead of the political boss conception which has so assiduously been painted of him, he is a highly cultured gentleman with few equals in this country as a student of history and of governments.

He has never sought to be a patronage dispenser. He is given credit for almost singlehandedly electing Arthur James as governor in 1938. Immediately the election was over he got on the boat and went to Europe for three months.

Aside from this successful foray into Pennsylvania politics, they have been his secondary concern. So it is idle to discuss how many Pennsylvania delegates he might or might not "control."

His concern and his interests have spread all over the country. The rebuilding of the Republican party was his goal. And the candidates for Congress, for the Senate, for State offices who have received financial assistance and sound political advice from him are legion.

To be influenced by a man of his stature is simply to talk with him, just as any man with ideas and ideals and ability influences another man with whom he has contact.

In the present convention he has kept himself aloof from the candidate rivalries. He has given his appraisal of this or that candidate whenever such an appraisal was sought and that has been done plenty. But he has had no particular candidate whom he was trying to put over. He has not hesitated to say that some of the aspirants did not measure up.

It is really good to see a man who has contributed so much in brains and money to the GOP and thus to his country get the respect which is being accorded him. His long endeavors are coming to fruition at last.

Standard Oil Co. (N. J.) Makes Exchange Offer To Int. Pet. Stockhldrs.

Standard Oil Company (N. J.) is offering 1,265,255 shares of its capital stock (par $25) in exchange for common stock (no par value) of International Petroleum Co., Ltd., in the ratio of three shares of Standard Oil stock for 20 shares of International common stock.

Shareholders of International who wish to accept the exchange offer may do so by depositing, prior to 3 p.m. on Jan. 31, 1949, their bearer share warrants at the Guaranty Trust Co. of New York, exchange agent, 140 Broadway, New York, N. Y., or at the office of either of the following subagents: Montreal Trust Co., 61 Yonge Street, Toronto 1, Ontario, Canada, or Guaranty Trust Co. of New York, London office, 32 Lombard Street, London, E. C. 3, England.

The Job of the Business Forecaster

By CHARLES O. HARDY *

Staff Director, Joint Committee on the Economic Report

Dr. Hardy, after reviewing difficulties of business forecasting, recites favorable and adverse factors in present situation. Sees elements of strength in affluent position of consumer in backlog for heavy durable goods, and in monetary and fiscal situation, but warns of shadow of "strong upward movement of prices and profits." Looks for continuation of full employment with further increases in wages and profits.

The job of the business forecaster is considerably farther outside the range of human ability than it was when business forecasting first became respectable just after World War I. At that time there was some reasonable hope of forecasting on the basis of a theory of autonomous action and reaction in the economic process itself, the key variable being the tendency of business commitments to expand until checked by a shortage of bank credit and then contract in a cumulative process initiated by high interest rates and the rationing of credit. This doctrine, developed by Hawtrey, made some sense in a period when the volume of bank credit was tied to gold stock and the only significant elasticity was that afforded by international gold movements. The alternation of bank credit ease and tightness was probably the chief factor underlying the 40-month cycle which was found by numerous investors in both prewar and postwar series up to 1929. This basis of forecasting has been destroyed, however, by the development of central banking and related treasury policies which have substituted the discretion of monetary authorities for the semi-automatic working of the gold standard.

Charles O. Hardy

In forecasting on the basis of what great masses of people will do, we can place some reliance on historical precedent, but when economic conditions come to be dominated by the decisions of a few central bankers, treasury heads, Presidents or dictators, mass statistics lose their significance.

A second obstacle to forecasting is that economic analysis breaks down when the economy is dominated by war or the threat of war. At the present time the number 1 problem is international relations, and under present conditions this is infinitely more important than any internal economic question. The frictions which threaten the peace of the world, moreover, are not economic questions; they are questions of ideology.

A third factor which has upset the science of forecasting is the great increase in cycle consciousness of the public and the accumulation of great masses of statistics which are closely watched. When Herbert Hoover was Secretary of Commerce, he promoted the collection of economic statistics, assuming that it would be conducive to stability if people had the maximum information about what other people were doing. For example, if inventory statistics were available to give warning of deviation upward or downward from a normal level, people could adjust their inventories without waiting until the situation got out of balance as badly as it did in 1920. The result probably has been to reduce the violence of such swings but to accentuate a tendency to mass action of a more moderate character. Stability is promoted by divergence of opinion. Some businessmen are induced to invest freely by a high volume of demand while other businessmen view the cost level of the boom with alarm and postpone purchase of equipment and inventories. These differences cancel out, and make for stability. The excesses of boom and depression occur when there is to much unanimity of optimism or pessimism, and unanimity is now promoted by the fact that everybody is watching the same statistical series.

Waves of Pessimism since V-J Day

Since V-J Day, however, we have had four waves of pessimism without a depression. The first, in the fall of 1945, centered among government economists and brought forth the well-known forecasts of 8 to 12 million unemployed by the spring of 1946. The second wave followed the stock market break of September, 1946 and centered largely among businessmen. The third, which culminated a year ago, was most pronounced in the urban semi-luxury trades, centering in the northeastern part of the country. The fourth occurred last winter. It was accentuated by the break in farm prices in February. It seems to have been based upon a slackening of sales of soft goods and a noticeable accumulation of retailers' inventories, especially in department stores. The concentration of tax payments in the first quarter may help explain the slackening of business activity in early 1946 and early 1947. Similar phenomena occurred in the spring of the year several times during the '20s. The announcement of the expanded military program in the middle of March brought about a sharp reversal of sentiment, and now most forecasters predict the continuation of full employment, high productive activity, and further price inflation.

Factors currently cited as adverse to the maintenance of the present high level of business may be summarized as follows:

(1) So far as soft goods are concerned, wartime deficiences have largely been made up and pipe lines filled. Department store inventories, in particular, have increased. There are widespread reports of consumer resistance to present prices and an expansion of basement sales at the expense of first floor sales. We have apparently passed from a sellers' to a buyers' market in jewelry, in many textile lines, in books, in liquor, shoes, tires, and so on. The acute physical shortages are past but if prices sag from a shortage level it does not necessarily mean that demand has fallen off; or a depression impends. Prosperity does not require a huge excess of demand over supply, such as we had in 1946 and to a leser degree in 1947.

(2) Programs of capital investment are being handicapped by high construction costs and difficulties in getting material. This is not really a bearish factor. It is an incident of high level operation; it foreshadows decline only in the sense that any feature of a boom foreshadows the end of the boom.

(3) For the first time since the war there are scattered reports of difficulty in getting bank loans; not because of any scarcity of loanable funds but because of the growing number of buyers whose balance sheets do not warrant further credit expansion even though they are making profits; and, in a few cases, because bankers feel that they are loaned up in proportion to their own capital even though they have ready access to funds for loan expansion. This is a new situation, and there is not yet much basis for judgment as to whether it is important or not. In past booms the money market has become tight because of pressure on reserves before the boom ran far enough to create this kind

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*Summary of remarks by Dr. Hardy before the American Marketing Association, Washington, D. C., June 15, 1948.

Role of the Family Trust

By MAYO ADAMS SHATTUCK*

Member, Haussermann, Davison & Shattuck, Attorneys, Boston, Mass.

Well known authority on trusts reviews evolution of modern trust and notes its legal framework as well as type of management has served to sterilize large part of past savings. Holds relative amount of capital per worker has not increased and deplores limiting use of trust funds to purchase of government obligations and similar riskless securities. Urges liberation of capital funds from shackles of legal list, and suggests that commercial bankers work on the problem.

It has been my occasional pleasure, as some of you know, to address men in the banking and legal professions whose everyday labors lie in the fields of fiduciary administration. Your trust brethren have been colleagues of mine, to some degree, in essays and reforms designed to be of help not only to our respective professions but also to the social economy of the Republic. They are a hardworking lot, those trust men; they possess also a quality of loyalty for their friends and co-adjustors which is as touching as it is persistent. It was that unswerving quality, I think, which led them to believe, as your hosts, that I might find something of interest to say to a group of commercial bankers—a group which does not confine its activities, or even indulge very much, in fiduciary matters, but which constitutes the front line in the financial economy of the nation.

Mayo A. Shattuck

At first I had grave doubt of my ability to approach, let alone accomplish, the task which was thus assigned to me. I suffered somewhat about it—for it is not very easy for me to say no to the well intentioned request of the trust men. But then it dawned on me that perhaps I had something to say after all; something drawn in part from the history of our law, in other parts from observation of our American economy and from contemplation of our place in this world; something which seems to me to have direct bearing upon the sort of thing you do in your own careers.

I should like to take you back into history, for a first moment, to a point when the society of England, and much of the world civilization, was moulded in that solid and immovable pyramid called feudalism. In that social order there was nothing of aggressive elasticity. Horizontal allegiances were as little known as lateral movements. All lines of authority moved from the top; all discharges of duties were rendered vertically. As with human relationships, so also with property. The turreted and fortified provincial seat of that day, like as not surrounded by a deep water moat, provided its own economy; save for its contribution of natural produce, and its quota of fines, recoveries and fighting power to the liege lord, it knew not the outside world. In those days the word "value" had no significance; the word of wide application was the legal term "use." The money changer had yet to make his place in society—so far backward, indeed, had men fallen from the ordered days of Rome that the limits of trade movements, of government authority and of human intercourse were actually and truly a matter of visible horizons.

Out of that kind of society the parent or predecessor of the modern trust was evolved. As a reflection of practical fact it was called a "use." The duties and responsibilities of the feoffee to uses, so-called, or the trustee of that day, were little more than those of continued possession, active defense and safe delivery. A trustee could not then be criticized who properly accounted at the end of the appointed term for the identical thing which had been entrusted to him. It was not his task to trade it for something else, or even to preserve its value. It was his task merely to hold it, and to administer its produce, whether flax or hides or meat or wine, to the use of the designated beneficiary.

That social order, lacking mobility and elasticity, inevitably passed away. It could not hope to defend itself in a cosmos where, as we now have come to realize, the order is constant flux and relative activity. The modern notion of preservation of values, upon systems of exchanges, came only as a result of explorations through a world which was suddenly discovered to be not only round, but in constant flight. As these concepts dawned on men it was to some degree realized that it was no longer enough to hide within ramparts and to rely upon moats. The concept of mere safe conduct for a specific piece of property was likewise outmoded. Senses of lateral obligations became real, the relationships of family to other families, of tribes to other tribes, of nations to other nations, of individuals to other individuals, became matters of inquiry among men of power and learning. Upon these expanding concepts the world-wide British empire was built and out of that new order the rapidly developing colonies of America, eventually insisting upon their right of self-determination, gained their place as a new nation. It now became the duty of the fiduciary to preserve not an individual piece of property, but to preserve a value expressed in monetary terms. The money changers and money assumed positions of social importance. The private and public express trust flourished. Philosophic speculations of the most daring sort were indulged in.

(Continued on page 18)

*An address by Mr. Shattuck at the 52nd Annual Convention of New York State Bankers Association, Bretton Woods, N. H., June 14, 1948.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Aid to Understanding Financial Reports of Fire and Casualty Insurance Companies—Brochure—First Boston Corporation, 100 Broadway, New York 5, N. Y.

Conversion—And its effect on the market—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Also available are memoranda on **Central Railroad of New Jersey, Montgomery Ward, Standard Oil of Indiana** and **Tideland Oil Corp.**

Convertible Securities—List of issues which appear attractive to Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

Listed Stocks—Directory of 190 corporations traded on the Detroit Stock Exchange—Detroit Stock Exchange, Detroit, Mich.

Manual of Sugar Companies—25th edition—Reference medium for those interested in sugar and sugar companies—Cloth—$2—Farr & Co., 120 Wall Street, New York 5, N. Y.

Market Outlook—Leaflet—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Public Utility Holding Co. Common Stocks—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Railroad Developments—Current developments in the industry Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Railroad Industry—Memorandum on new capital requirements in current "Fortnightly Investment Letter"—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

In the same issue are memoranda on **Lehigh Coal & Navigation, Associated Dry Goods; Peoria & Eastern Railway; Gulf, Mobile & Ohio.**

Also available is an analysis of the **Building Industry.**

United States Government Securities—Brochure—Mellon National Bank and Trust Company, Pittsburgh, Pa.

What Is Ahead for the Electric Light and Power Industry—J. W. McDonald, Jr.—N. A. Lougee & Company, 120 Broadway, New York 5, N. Y.

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Alabama Great Southern Railroad—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Also available are analyses of **American Airlines, Co., International Telephone & Telegraph Corp.,** and a leaflet of **Railroad** news.

Allied Paper Mills—Memorandum—A. G. Woglom & Co., 49 Federal Street, Boston 10, Mass.

Arden Farms Co.—Memorandum—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Also available is a circular on **Bird & Son.**

Bank of America—Memorandum—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Bank of Manhattan Company—Circular—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Bloomington Limestone Corp.—Description—George Birkins Co., 40 Exchange Place, New York 5, N. Y.

Ferry Cap & Set Screw Co.—Memorandum—Buckley Brothers, 530 West Sixth Street, Los Angeles 14, Calif.

Hartford Empire Company—Circular—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

Hoffman Radio Corporation—Circular—Edgerton Wykoff & Co., 618 South Spring Street, Los Angeles 14, Calif.

Hotels Statler Company, Inc.—Analysis—Kiser, Cohn & Shumaker, Inc., Circle Tower, Indianapolis 4, Ind.

Irving Trust Company of New York City—Analysis—Dempsey-Tegeler & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Also available is a current memorandum on **Home Insurance Co.**

Jupiter Oils Limited—Bulletin—Milner, Ross & Co., 330 Bay Street, Toronto 1, Ont., Canada.

Also available is an analysis of the **Paper Industry.**

Lonsdale Company—Analysis—May & Gannon, Inc., 161 Devonshire Street, Boston 10, Mass.

Maryland Casualty Co.—Memorandum—William R. Staats Co., 640 South Spring Street, Los Angeles 14, Calif.

Metal Forming Corporation—Current bulletin—First Colony Corporation, 52 Wall Street, New York 5, N. Y.

National Aluminate Corporation—Circular—William A. Fuller & Co., 209 South La Salle Street, Chicago 4, Ill.

National Gypsum—Memorandum—Zuckerman, Smith & Co., 61 Broadway, New York 6, N. Y.

New England Public Service Co.—Memorandum—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Old Ben Coal Corporation—Illustrated brochure giving 13-year analysis—Comstock & Co., 231 South La Salle Street, Chicago 4, Illinois.

Pacific Lumber Company—Analysis—Elworthy & Co., 111 Sutter Street, San Francisco 4, Calif.

Parker Appliance Company—circular—du Pont, Homsey Co., 31 Milk Street, Boston 9, Mass.

Portsmouth Steel Corporation—Data—Buckley Securities Corp., 1420 Walnut Street, Philadelphia 2, Pa.

Also available are data on **Central Illinois Public Service, Seminole Oil & Gas** and **Beryllium Corp.**

Purex Oil Corp.—Circular—Gross, Rogers & Co., 458 South Spring Street, Los Angeles 13, Calif.

Raytheon Manufacturing $2.40 Cumulative Preferred—Circular—Coffin, Betz & Sullivan, 123 South Broad Street, Philadelphia 9, Pa.

Southern Production Company, Inc.—Investment appraisal—Kalb, Voorhis & Co., 25 Broad Street, New York 4, N. Y.

Southwest Natural Gas Co.—

(Continued on page 9)

Dealer-Broker Recommendations

(Continued from page 8)

Circular—Leason & Co., 39 South La Salle Street, Chicago 3, Ill.

United States Rubber Company—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Verney Corp.—Description analysis—A. G. Woglom & Co., Inc., 49 Federal Street, Boston 10, Mass. Also available are analyses of **United States Finishing and Maine Central Railroad.**

Winters & Crampton Corp.—Analysis—C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y. Also available is an analysis of **Miles Shoes, Inc.**

Leroy Wilson Director Of Chase National Bank

Leroy A. Wilson, President of the American Telephone & Telegraph Co., was elected a member of the board of directors of the Chase National Bank, it was announced by Winthrop W. Aldrich, Chairman of the Chase board.

Mr. Wilson, who in February of this year at the age of 47 attained the Presidency of the world's largest corporation, has been associated with the Bell system all of his business career. In 1922, upon graduation with honors from Rose Polytechnic Institute at Terre Haute, Ind., where he was born, he joined the Indiana Bell Telephone Company as a traffic clerk. After varied experience in several Indiana communities he was transferred to the parent company in New York in 1929 in the department of operations and engineering. He was appointed a Vice-President in 1944 and Financial Vice-President in 1946.

Roland Merrell With Lee Higginson Corp.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Roland Merrell, Jr. has become associated with Lee Higginson Corp., 231 South La Salle Street. He was formerly Chicago Manager for Stern Brothers & Co.

Edward K. Diehl With Buckley Bros. in L. A.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Edward K. Diehl has become associated with Buckley Brothers, 530 West Sixth Street. Mr. Diehl has recently been with Morgan & Co. Prior thereto he was an officer of First California Company.

William M. Kennedy has also been added to the staff of Buckley Brothers.

Reports Debt Service of Foreign Issues Improved

Dean Madden, of New York University's Institute of Public Finance, issues analysis of publicly offered foreign bonds.

In 1947 debt service has been paid in full on $2,334,377,835, or on 51.77% of the total of $4,509,144,941, of publicly offered foreign dollar bonds outstanding on Dec. 31, 1947, according to a bulletin entitled "Statistical Analysis of Publicly Offered Foreign Dollar Bonds," issued June 21 by Dean John T. Madden, Director of the Institute of International Finance of New York University.

Dean J. T. Madden

The increase in proportion of bonds serviced in full from 50.04% in 1946 was due mainly to the fact that during the year the governments of the Netherlands and Norway, and the International Bank for Reconstruction and Development floated four dollar-issues in an aggregate principal amount of $280,000,000. Furthermore, no new defaults have occurred, and the percentage of Brazilian bonds assented to Plan A has increased during 1947 from 25.58 to 31.59%.

Data on the status of all publicly offered foreign dollar bonds as of Dec. 31, 1946 and 1947, are summarized in the following table:

	Dec. 31, 1946 (100,000)	%	Dec. 31, 1947 (000,000)	%
Debt service paid in full	$2,255.4	50.04	$2,334.4	51.77
In default as to interest	2,145.1	47.60	2,101.3	46.60
In default as to sinking fund or prin.	106.6	2.36	73.4	1.63
Total	$4,507.1	100.00	$4,509.1	100.00

On Dec. 31, 1947 European and Latin-American obligors accounted for 86.3% of defaulted bonds. Of the total Latin-American bonds in default, Mexico and Chile accounted for 35.9 and 19.7%, respectively, while German issues represent 58.7% of total European defaulted bonds. At the end of 1947 Latin America accounted for 31.8% of total defaulted bonds, a slight decrease from Dec. 31, 1946. Europe's percentage increased from 53.6% at the end of 1946 to 54.5% on Dec. 31, 1947. The Far East accounted at the end of 1947 for 13.6% of total defaulted bonds.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

The annual report of the National Bank Division of the American Bankers Association states that 60% of total 1947 net profits of the 5,000 national banks in the United States were ploughed back into capital funds. Thus, without recourse to the public, additional bank capital was created out of current earnings.

It may be of interest to look at the achievements of leading New York City banks in this respect, so far as may be ascertainable from their annual reports and balance sheets. Figures of a group of 15 "Wall Street" banks, so-called, are presented.

Aggregate capital, surplus and undivided profits, which constitute capital funds, for Dec. 31, 1946, and Dec. 31, 1947, compare as follows:

	Dec. 31,'46	Dec. 31,'47	—Increase—	%
	(000's omitted)			
Capital	$535,375	$545,375	$10,000	1.9
Surplus and Undiv. Profits	1,384,156	1,455,469	71,313	5.2
Total Capital Funds	$1,919,531	$2,000,844	$81,313	4.2

Capital funds increased over the year by $81,313,000 and since no "new money" was subscribed by stockholders, investors or the public in general, this increase came from undistributed earnings comprising net operating profits, net security profits, net recoveries and also from reserves.

	1947 Total Net Earnings	1947 Dividends	Undistributed	Capital Funds Dec. 31,'46	Capital Funds Dec. 31,'47	Increase
	(000's omitted)					
Bank of Manhattan	$5,058	$2,400	$2,658	$63,110	$64,487	$1,377
Bank of New York and Fifth Avenue	1,313	840	473	26,890	27,363	473
Bankers Trust	9,420	5,400	4,020	147,154	150,749	3,595
Central Hanover	7,621	4,200	3,421	124,104	127,528	3,424
Chase National	19,828	11,340	7,988	313,501	322,025	8,524
Chemical Bk. & Tr.	7,326	4,500	2,826	103,502	108,150	4,648
Corn Exchange	3,772	1,800	1,972	42,041	43,593	1,552
First National	8,720	8,000	720	135,980	136,746	766
Guaranty Trust	20,780	12,000	8,780	321,627	360,667	39,040
Irving Trust	6,606	4,000	2,606	112,675	114,481	1,806
Manufacturers Trust	12,359	4,950	7,409	119,030	123,815	4,785
*National City	23,512	9,300	14,212	287,632	298,732	11,100
New York Trust	4,454	2,400	2,054	62,870	63,396	526
Public National	2,335	1,100	1,235	28,604	29,839	1,235
U. S. Trust	1,574	1,400	174	30,811	29,273	—1,538
TOTALS	$134,678	$74,130	$60,548	$1,919,531	$2,000,844	$81,313

*Includes City Bank Farmers Trust.

The reported earnings of the 15 banks under review, aggregated, in round numbers, $134,678,000 in 1947, approximately as follows: net operating, $121,025,000; net security profits, $9,361,000; net recoveries, $3,992,000. Of these earnings some 55% or $74,130,000 were disbursed as dividends. Undistributed earnings totaled $60,548,000. This figure is nearly $21,000,000 less than the increase in capital funds which amounted to $81,313,000. It is evident, therefore, that a substantial amount must have come from reserves which had been set up out of earnings not reported during the current year, or during previous years.

An example of this is found in the case of Guaranty Trust which increased capital from $90,000,000 to $100,000,000 by the payment of a stock dividend at the rate of one share for each nine shares held; the $10,000,000 was paid into capital by a transfer from surplus while $32,754,549 was transferred from general contingency reserves to undivided profits and surplus.

A reverse example is found in the case of United States Trust whose capital funds decreased by $1,538,000 in 1947, despite reported earnings of $174,000 in excess of dividends. This situation was caused by a transfer of $1,600,000 from undivided profits to the Retirement Trust of the Employees' Retirement Plan.

It will be noted that undistributed earnings exceeded dividend disbursements with Bank of Manhattan, Corn Exchange, Manufacturers Trust, National City and Public National. However, the increase in capital funds was less than undistributed earnings for the first four of these banks, indicating that they were still tucking away money into their reserves. With Public, however, undistributed earnings and capital increases were equal; the same is substantially true of Bank of New York, Central Hanover and First National.

Capital increases exceeded undistributed earnings, according to the figures tabulated, with Chase, Chemical, and Guaranty Trust.

Only two of the above 15 banks show undistributed earnings at approximately 60% of total net profits, viz. Manufacturers Trust and National City. For the group, total undistributed earnings approximated 45% of total net profits.

Rodney W. Brown

Rodney W. Brown will become a partner in Whiting, Weeks & Stubbs, 53 State Street, Boston, Mass., on July 1. "The Chronicle" regrets that through an error when reporting this in its June 17 issue a picture of another Mr. Brown with the same initials was inserted in the news item pertaining to Mr. Rodney Brown's admission to the Boston firm. Mr. Rodney W. Brown's picture appears herewith.

Rodney W. Brown

Investment Ass'n Hold Second Annual Party

Approximately 75 of the younger men in the securities business attended the second annual outing of the Investment Association of New York, formerly the Junior Investment Bankers and Brokers Association, at the Montclair Golf Club in Montclair, New Jersey. Stanley Russell, Jr. of Blyth & Co., Inc. was in charge of general arrangements.

The heads of similar organizations of junior investment bankers and brokers in other cities were guests of honor, among them Robert Wadds of McLeod, Young & Weir, Toronto; John Penny of A. E. Ames & Co., Montreal; John Conger of DeHaven & Townsend, Crouter & Bodine, Philadelphia; William Legg of Mackubin, Legg & Co., Baltimore; and Robert Gerrish of Whiting, Weeks & Stubbs, Boston.

Philip Moore of Schroder, Rockefeller & Co., Inc., President of the New York group, presided at dinner in the evening, at which time prizes for winning performances in the day's sports competition were awarded.

Robert Baldwin of Morgan, Stanley & Co. was in charge of golf, Julian Hemphill of Hemphill, Noyes & Co. of tennis, and Arne Fuglestad of White, Weld & Co. of other sports. Sydney Duffy of Blyth & Co., Inc. managed a special event and Roger Gilmartin of Merrill Lynch, Pierce, Fenner & Beane handled transportation.

Marion E. Herndon Is With Louis G. Rogers

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Marion E. Herndon has become associated with Louis G. Rogers & Co., Johnston Building. He formerly conducted his own investment business, M. E. Herndon Company, and prior thereto was an officer of Southern Investment Co., Inc.

The Crisis in American Life

By HERBERT HOOVER*
Former President of the United States

Ex-President Hoover, pointing out United States is only obstacle to annihilation of freedom, urges aid to Western Europe, but warns our economy must not be exhausted or over-strained by the burden. Says present taxes and exports do not permit expansion of production upon which our living standards depend, and we must not make Europe dependent on us. Attacks "middle-of-roaders" in domestic struggle against collectivism, and expresses confidence, great as our problems are, they can be solved by proper leadership.

This Convention meets again in a continuing grave crisis. And this crisis is deeper than some may think. Every important government including our own has broken its promises to mankind. Civilization moves forward only on promises that are kept. Faith has been hurt; hope has been diminished; thinking has been corrupted, and fear has been spread — all over the world.

Herbert Hoover

The problems which confront us far transcend partisan action and I do not propose to speak in that sense tonight.

What is done here, what you do here, will affect the destiny of our country beyond any estimation of this moment. For you are more than ever before, the trustees of a great cause, the cause for which this party was founded, the cause of human liberty.

Our Aid to Liberty in the World

Liberty has been defeated in a score of nations. They have revived slavery. They have revived mass guilt. They have revived government by hatred, by torture, by exile. Today the men in the Kremlin hold in their right hands the threat of military aggression against all civilization. With their left hands they work to weaken civilization by boring from within.

These tyrants have created a situation new in all human experience. We saved them from Hitler but they refuse to cooperate with us in good will or peace on earth. A powerful nation, dominated by men without conscience, finds it useful to have neither peace nor war in the world.

Whether some of us, who foresaw that danger and warned of it, were right or wrong, and whatever the errors of American statesmanship that helped bring it about, we are today faced with a world situation in which there is little time for regrets.

The only obstacle to the annihilation of freedom has been the United States of America. Only as long as the United States is free and strong will human liberty survive in a world frustrated and devastated by these two wars.

It is in our interest and, above all, in the interest of liberty throughout the world, that we aid in giving strength and unity to the nations of Western Europe. It is only thus that we can restore a balance of power in the world able to resist the hordes from the Eurasian steppes who would ruin Western Civilization.

We have also the burden of increased armament to assure that no hostile force will ever reach this hemisphere.

With all the good will in our hearts, our friends abroad should realize that our economy must not be exhausted or over-strained by these burdens, or the last hope of the world is lost. We should only be playing Stalin's game, for his expressed real hope lies in our economic collapse for which his Fifth Columns are busily planning.

Our friends abroad should realize that we are today certainly straining our American economy to the utmost. Warning signals already clang in our ears. Relief and defense will soon be costing us over $22 billion a year. Our Federal budget threatens to increase to $50 billion a year, unless we delay many plans for internal social and economic improvement.

Even our present $40 odd billion taxes and the export of materials so drain the savings of our people that in the year 1947 we did not properly maintain and expand the great tools of production and distribution upon which our standard of living depends.

Nor is there any room for more taxes except by a cut in the standard of living of those who do the nation's work. Some will say that we can increase corporation taxes. That is easy to say. But any student of economics knows that, in the long run, such a tax will be passed on to the consumer, provided we want to maintain our real wages and great tools of production. Surely any American would seem to have the right to aspire to the income of a United States Senator—less taxes. If the

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*An address by Mr. Hoover at the Republican National Convention, Philadelphia, Pa., June 22, 1948.

A Republican Party Program

By HON. DWIGHT H. GREEN*
Governor of Illinois

In keynote address at Republican Party Convention, Gov. Green attacks both policies and actions of New Deal, accusing the Democratic Party of having invited the lunatic fringe to share its feast of power. Lauds accomplishments of the Republican 80th Congress and lays present international difficulties to New Deal's "futile policy of appeasement of Communist Russia." Extols Republican Party foreign policy plank of 1944, and supports European aid to check spread of Communism.

We are here to nominate the 34th President of the United States. Here in Philadelphia, the Declaration of Independence proclaimed the freedom of America. We in this convention reaffirm American freedom and independence. Here in Philadelphia wise men shaped the Constitution of the United States. We in this convention hail once more that immortal charter as the keystone of our faith.

Dwight H. Green

In this sacred atmosphere of great events we meet in solemn convention. This is no place for narrow partisanship. This is not an hour for personal ambition. It is for us to dedicate our common effort to serve the Republic which, long ago, was born in this city.

This is a people's convention. It is of the people, for the people and by men and women in the service of the people. This convention belongs to the millions to whom radio and television are carrying this message. It belongs to the 145,000,000 American in the 48 states and the territories of this Republic. We send our greetings to free men everywhere and to men, though in bondage, who long for freedom that is lost. To them we say, we will keep the faith with you wherever you are.

The Republic here established has learned that government best serves its high purpose through the competition of two great political parties. One of those parties has had the responsibilities of executive government for 16 years. Our Republican party challenges a further grant of power to that party. It asserts that freedom, stability, justice and peace demand a new leader for a greater America.

The Republican party, today as always, is the party of faith in the individual American—of faith in the great destiny of our Republic. We are not going back to any yesterday. All our yesterdays have taught us that we have a duty to tomorrow.

The New Deal party can have no real program, because it is no longer a real party. It mustered its majorities from a fantastic partnership of reaction and radicalism. For years, this strange alliance was held together by bosses, boodle, buncombe and blarney.

Such a party is all things to all men. The New Deal was just that. Its offspring was the sorriest series of broken promises in the history of our nation.

It promised economy and gave us unproductive spending, unbalanced budgets, oppressive taxes and massive debt. Its deficit spending was first used to build majorities. Then, to save its majorities, it piled up bigger deficits. In final desperation, its only hope is in promissory notes payable in other people's money.

It promised jobs. It gave us bureaucracy. It promised prosperity. It paid in the regimentation of agriculture, labor, management and business, large and small.

It promised efficiency. Its Grecian gift was a Trojan donkey filled with swarming bureaucrats turned loose within our citadel.

It promised peace again and again and again, when it knew war to be inevitable.

Apparently, the only promises that were really kept were those it gave to Joe Stalin.

And now it promises to promise again and again.

As its boat sinks, the skipper's piano still pounds out "Meet Me Next Year in Dreamland."

New Deal and Radicals

Like a man, a political party is judged by the company it keeps. The New Deal party invited the lunatic fringe to share its feast of power. They stayed a long, long time — the men who came to dinner.

The New Deal lived with those radicals in unholy intimacy for

(Continued on page 34)

*Keynote address of Gov. Green before the Republican National Convention, Philadelphia, Pa., June 21, 1948.

Mutual Funds

By HENRY HUNT

The Winner, Diversification!

Woodford Matlock, President of Broad Street Sales Corporation, recently told us about the efforts of a salesman to sell securities to a prosperous Mid-Western bookie.

The salesman started out trying to sell the bookie a well known common stock listed on the "Board." The bookie listened to his persuasions, and said, "It sounds like a good bet—but how do I know it'll be a winner? It ain't for me."

The salesman, on different occasions, tried for more than a year to sell the bookie first one stock and then another. But every time he ran up against the same response, "How do I know it'll be a winner? It ain't for me."

Finally, the salesman offered the bookie a common stock mutual fund. The latter looked over the portfolio carefully.

"Fifty-three different stocks—and all running for me. How can I lose?" said he.

The salesman now counts the bookie among his best mutual fund clients.

A Benjamin Franklin Bequest

The following excerpt from **George Putnam's** "Prudent Investor" drives home the inexorability of compound interest in conjunction with careful investing:

"At the tongue's tip of most Americans are the homey, spiced-with-common-sense observations of Benjamin Franklin.

"Much less known are his public gifts; among them a farsighted one which was the basis for The Franklin Technical Institute of Boston.

"Upon Franklin's death in 1790, one of the gifts he provided was $5,000 (1,000 pounds) to be set aside and loaned to 'Young married artificers at a 5% interest rate . . . each borrower to pay with the yearly interest one-tenth part of the principal.' He further specified that at the end of 100 years approximately three-quarters of the accumulated fund was to be spent for some public work in Boston and the remainder, or one-quarter, was to remain out on interest as described above for the next 100 years.

"The original plan of lending money to 'Young married artificers' was discontinued after a few years due to changed industrial conditions—the Fund was invested and allowed to accumulate.

"The provision—that at the end of 100 years Part 1 was to be expended for some public work—was carried out in 1906 with the construction of the Franklin Technical Institute building which, with necessary equipment, cost $438,492.60 and cannot be replaced today for over twice that figure. The second part of The Fund (originally about $1,250), now accumulating for the second 100 years, amounts today to well over $900,000!*

"How well Franklin's original purpose was carried out, in a way perhaps not foreseen by him, is evidenced by the fact that 50,000 students have received excellent but low-cost engineering training through Franklin Technical Institute.

"Both night and day classes are held. College degrees are not awarded because cultural subjects are omitted to shorten the time and reduce the expense to the students. But a sound, practical engineering training is provided for those who in a great many cases could not afford the conventional engineering school costs.

"It would be difficult to discover a more interesting example of shrewd foresight where such a small original gift has contributed such worthy value—a tribute to beloved Benjamin Franklin and his knowledge of the principles of compound interest."

"Balanced" Funds as Gifts

In a recent bulletin, **Wellington Fund** points out:

"You may not realize the trouble and expense which will be involved in the administration of your estate. Husbands often name their wives as executors in their wills without realizing the many duties that executors must perform. They may think that their lawyer will take care of these tedious and difficult tasks. If the executor has a lawyer to do all the work, it is apt to be quite expensive because of the many details involved. The estimated administration expenses and 34 of the more important duties of an executor in the probate of an estate are listed elsewhere in this bulletin.

"You may avoid the administration of your estate, save all administration expenses and eliminate the necessity of an executor or administrator. You may also save Federal estate taxes and some income taxes. You may accomplish these savings by making irrevocable gifts of most of your property now either outright to your family, or in trust to your wife and children. The rest of your property, such as your house, car, bank account, etc., could be put in your and your wife's names as tenants by the entirety or as joint tenants with the right of survivorship. In this way, the property would pass to your wife on your death without the necessity of having it administered by the court. If your wife or children are beneficiaries of your insurance policies, the proceeds of your insurance would also pass directly to them without administration.

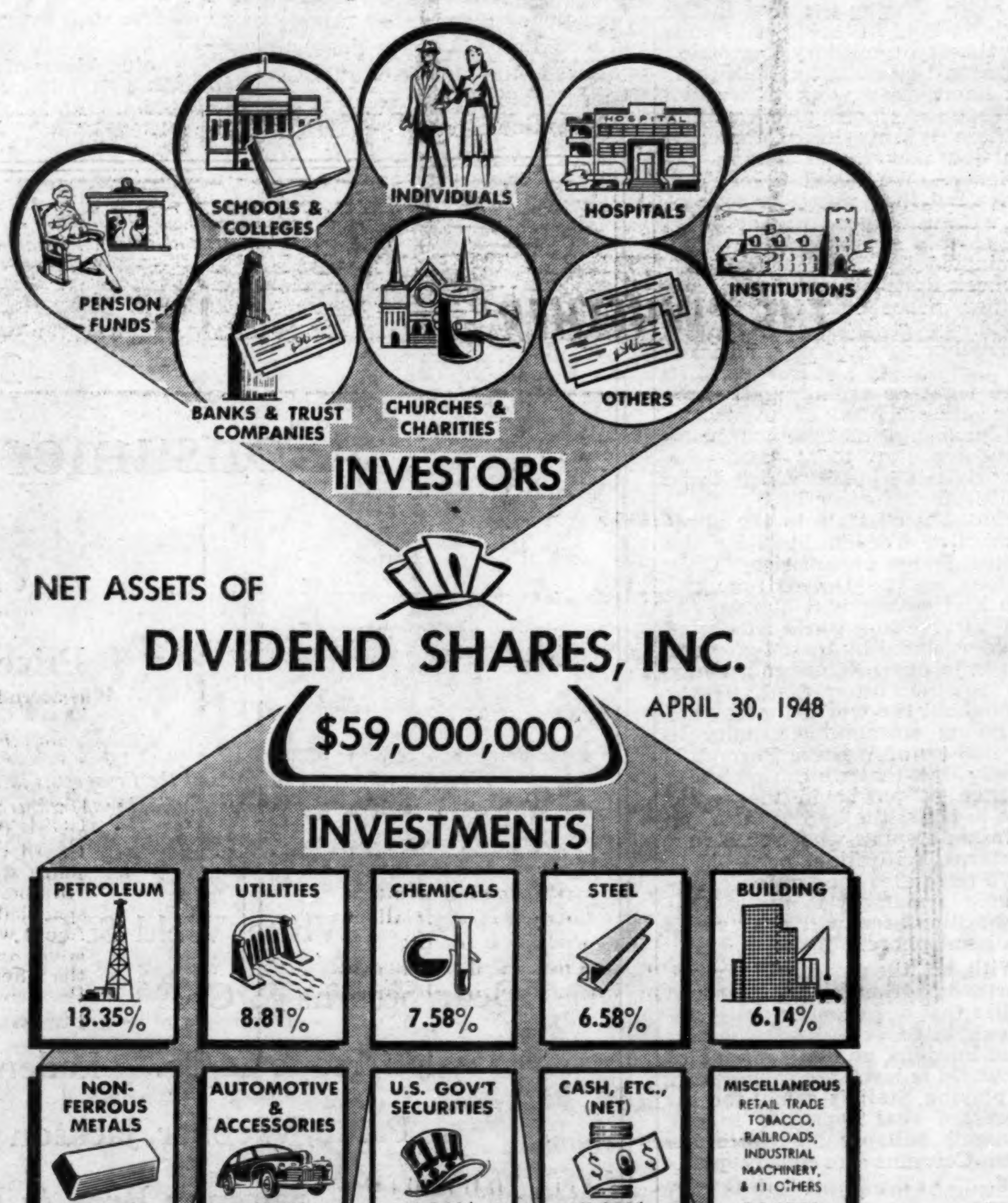
"If a balanced fund is the principal investment in your estate, you can make equal gifts to your beneficiaries as each share has the same value. If there should be any debts or taxes to pay, it makes it easy for your executor as he doesn't need to decide which property to sell to pay these charges. Executors are apt to choose the best and most salable securities to pay these charges. As a result, the weaker securities are left for the beneficiaries. If your estate has mutual fund shares, your executor can readily liquidate enough at any time to pay these charges leaving the balance for your beneficiaries.

"In making gifts of balanced fund shares to members of your family, you are, in effect, setting up a continuing trust fund. You are giving them active investment supervision by experienced management and a broadly diversified investment which can be liquidated at any time. You are also providing your beneficiaries with the services of a trust company to handle all the physical details of investing including the collection of income, exercise of valuable rights, custody and safekeeping of securities in the Fund. Finally, you are giving them a well balanced investment program with continuity of management which you have selected and have confidence in."

Assets of "Dividend Shares" Exceed $64 million.

As of June 18 assets of **Calvin Bullock's** "Dividend Shares" hit **$64,648,000** as compared with some $59 million on April 30. We like the accompanying graph depicting "Dividend Shares" as of April 30. A picture may not be worth 10,000 words, as the Chinese say, but it saves a lot of reading time.

*Ed. Note: While no one could criticize the record of the investment managers of this fund, believe it or not, $1,250 at 5% interest compounded quarterly since 1790 would be worth over $3,300,000, today!



GRAPHIC BY PICK-S, N. Y.

National Campaign on Trust Shares

Arthur Wiesenberger & Co., Stock Exchange members, set precedent in launching advertising campaign under approval of SEC. Maps program for working with dealers for distribution of open-end shares, and initiates extensive national advertising campaign.

For the first time since the passage of the Securities Act of 1933 a program of advertising investment trust shares of the open-end type has been launched by Arthur Wiesenberger & Co., members of the New York Stock Exchange. With the approval of the Securities and Exchange Commission a procedure has been developed whereby it is now possible for investment dealers to advertise the many features and advantages of open-end shares.

Arthur Wiesenberger

The only thing a dealer needs to do to pay for this service is to direct enough of his New York Stock Exchange or New York Curb Exchange brokerage business to us to create a minimum gross brokerage income of $200 during 1948, says the Wiesenberger firm. They indicate that gross commissions on the purchase or sale of 1,000 shares of $20 stock would do the trick and that they will be glad to accept "collect" teletype calls from firms that are not N. Y. S. E. members. If, for any reason, a dealer cannot give them this volume of brokerage business, he may subscribe to the service for a straight $100 fee, payable not later than Dec. 15, 1948, the sales promotion literature pertaining to the advertising service points out.

A campaign of national advertising by Arthur Wiesenberger & Company is scheduled to commence about July 15 and at the same time advertisements similar in theme will be available to a selected group of investment dealers throughout the country for use over their own name in their communities. A typical example of these ads is shown below.

In connection with the dealer advertising, Arthur Wiesenberger & Company have prepared an informative booklet entitled "Solving Your Investment Problems," which presents the various reasons why the average investor can be profitably served with investment company shares. In less than 2,000 words this booklet presents one of the simplest yet most convincing explanations of the investment company idea that has ever been published.

With respect to complying with the Federal Securities Act of 1933 there is attached to the material going to dealers a copy of the opinion of Edward H. Cashion, Chief Counsel of the Corporation Finance Division of the Securities and Exchange Commission, from which Wiesenberger & Company say, "you will note that these ads are unobjectionable if used in such a way as not to amount to an offering without a prospectus. This means there must not exist an intent on your part to sell a specific registered security in connection with the use of these ads. In other words, if you first consider an inquirer's circumstances, objectives, and preferences before you discuss or conclude to recommend any particular open-end fund, then these ads may be used. On the other hand, if you merely deliver to the inquirer the pamphlet advertised and one or more prospectuses or comment on some specific open-end security without first considering the investor's circumstances, objectives, and preferences so as to determine the suitability of the security being offered in that particular case, then these advertisements may not be used, because they in effect amount to an offering in advance of a prospectus. It is obvious that a dealer whose **entire** security business comprises the distribution of a single investment company fund cannot use the advertisements."

Communism—or Mere Nonsense

"Everyone, as a member of society, has the right to social security, and is entitled to the realization, through national effort and international cooperation, and in accordance with the organization and resources of each State, of the economic, social and cultural rights set out below.

* * *

"Everyone has the right to work, to just and favorable conditions of work and pay, and to protection against unemployment.

* * *

"Everyone has the right to a standard of living, including food, clothing, housing and medical care, and to social services, adequate for the health and well-being of himself and his family, and to security in the event of unemployment, sickness, disability, old age or other lack of livelihood in circumstances beyond his control.

* * *

"Everyone has the right to rest and leisure.

* * *

"Everyone has the right to participate in the cultural life of the community, to enjoy the arts and to share in scientific advancement."—International Declaration of Human Rights—U. N. Human Rights Commission.

We should like to see Mrs. Roosevelt or some of the others active in these matters try to assign some specific meaning into such phrases as these. We doubt if they could succeed in such an effort, but if they did the doctrine enunciated could scarcely be very different from communism.

Hal H. Dewar Nominated for President of Investment Bankers Association

Hal H. Dewar, partner in the San Antonio investment firm of Dewar, Robertson & Pancoast, has been nominated as the next President of the Investment Bankers Association of America, it was announced by Julien H. Collins, Julien Collins & Co., Chicago, President of the Association. Named with Mr. Dewar were the following nominees for Vice-President:

H. H. Dewar

Albert T. Armitage

Hazen S. Arnold

John F. Fennelly

Joseph T. Johnson

Laurence M. Marks

Albert T. Armitage, Coffin & Burr Incorporated, Boston;

Hazen S. Arnold, Braun, Bosworth & Company, Toledo;

John F. Fennelly, Glore, Forgan & Co., Chicago;

Joseph T. Johnson, The Milwaukee Company, Milwaukee;

Laurence M. Marks, Laurence M. Marks & Co., New York.

Nominations, made by the board of governors of the Association, are considered tantamount to election in the I. B. A., which will act on the ticket at its annual convention scheduled for December 5 to 10 at the Hollywood Beach Hotel, Hollywood, Florida.

Mr. Dewar has been active in the Association since 1935, has been on the board of governors since 1943, was elected a Vice-President in 1944, and has been returned to that office each year since. He has served on numerous national committees of the Association, including the Education, Federal Legislation, Small Business, Administrative Review and Group Chairmen's committee. Mr. Dewar has also served on various committees of the Texas Group of the I. B. A. and in 1929 was President of the predecessor organization, Texas Investment Bankers Association.

Following graduation from the University of Texas with a B. A. degree in 1923, Mr. Dewar entered the investment banking field. He was with the Chicago office of the Guaranty Co. of New York for one year and then with J. E. Jarratt Co., San Antonio, from 1924 to 1929. He became manager of the bond department, Alamo National Co., San Antonio, in 1929, and in 1932 organized his present company. He is a director of a number of companies.

Mr. Dewar was a member of the board of governors, National Association of Securities Dealers, 1940-42, and Chairman, 1942. Upon his election to the I. B. A. presidency he will become the first man who will have headed both I. B. A. and N. A. S. D. In 1945 Mr. Dewar was a member of the financial advisory committee, Committee for Economic Development, and during World War II was a member of the National Committee of the Securities Industry for War Financing.

Railroad Securities

One of the traditional investment favorites in the railroad field that has failed to live up to expectations in the postwar years has been the Louisville & Nashville. There has been a marked inability in the years since the end of hostilities to get expenses, and particularly transportation costs, under control. This did not cause any particular concern in 1946 when quite a few of our major carriers were finding it difficult, or impossible to quickly adjust their operations to the changing traffic conditions in an inflationary period. Continuation of the relatively high transportation ratio through 1947 and the opening months of 1948 has, however, given rise to some uneasiness in many quarters.

Traditionally Louisville & Nashville has been considered as an inherently efficient property to operate. In the period 1937-1941, for instance, the company carried an average of 20.4% of gross through to net operating income before Federal income taxes. This was just about in line with the performance of Nickel Plate's 20.6% and not too far below Kansas City Southern's 24.1%. In the single year 1941 the carry-through was one point lower than that of Nickel Plate but greater than that of Kansas City Southern. Last year Louisville & Nashville carried only 13.0% of gross through to net operating income before Federal income taxes, while Nickel Plate carried 15.8% through and Kansas City Southern was well ahead with 29.7%.

Deterioration with respect to the industry is apparent in the trend of the transportation ratio over a period of years. Back in the early boom, 1929, Louisville & Nashville's transportation ratio of 34.1% was just one point higher than that of the industry as a whole. By the bottom of the depression in 1932 Louisville & Nashville had just about caught up with the industry and from there on its ratio consistently ran below that of all Class I carriers as a group. By 1941 it had reduced its ratio to 31.1%, or about three points below the boom 1929 level. This 1941 ratio of Louisville & Nashville was two points below that of the industry. In other words, as between the years 1929 and 1941 the road had improved its transportation performance three points in relation to the industry.

The war performance, with its many distortions, can not be accepted as any criterion of the operating performance of any individual railroad or of the industry. In the first postwar year, 1946, Louisville & Nashville's transportation ratio was 42.1%, the same as that of all Class I carriers. Last year it was 41.8%, or 1.8 points above the industry average. Moreover, for the first quarter of the current year Louisville & Nashville reported a wider rise in its transportation ratio than did the industry. As between 1941 and 1947, Louisville & Nashville's transportation performance deteriorated 3.8 points in relation to the industry. Based on the 1947 level of revenue this would be equivalent, before adjustment of Federal income taxes, to more than $2.60 a share on the stock.

Last year Louisville & Nashville reported earnings of $5.63 a share on its outstanding stock. For the first four months of the current year the earnings declined almost $1 a share from the like 1947 period, to $1.37. Of course these results reflected unfavorable weather conditions in the early months and the bituminous coal strike in March and April. With the increased rates now in effect year-to-year comparisons from here on should be considerably more favorable. Nevertheless, little, if any, improvement over 1947 results is expected for the full year 1948.

Aside from disappointing operating performance since the end of the war, many financial people were, to say the least, shocked when it became known that the company contemplated sale of $30 million of term bonds to compensate the treasury for capital improvements. It had generally been expected that the railroads would continue their conservative policies of financing additions and betterments, other than new equipment, from earnings and at the same time pare their existing debts. If this policy is now to be reversed it warrants serious concern as to how the stocks of such roads are going to fare when business returns to more nearly normal levels, as it ultimately must.

COMING EVENTS

In Investment Field

June 25, 1948 (Cleveland, Ohio)
Bond Club of Cleveland spring outing at Country Club.

June 25, 1948 (Milwaukee, Wis.)
Milwaukee Bond Club Outing at Merrill Hills Country Club, Waukesha.

June 25, 1948 (New York City)
Municipal Bond Club of New York Annual Meeting at Sleepy Hollow Country Club, Scarborough-on-Hudson, N. Y.

June 25, 1948 (Pittsburgh, Pa.)
Western Pennsylvania Group of IBA Outing at Rolling Rock Club.

June 29, 1948 (New York City)
New York Stock Exchange Golf Association 49th annual golf tournament at the Winged Foot Golf Club, Mamaroneck, N. Y.

July 9, 1948 (Cleveland, Ohio)
Cleveland Security Traders Association summer outing.

July 9, 1948 (Louisville, Ky.)
Bond Club of Louisville Annual Party at Sleepy Hollow Club.

July 9, 1948 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia Annual Summer Outing at the Tavistock Country Club, Haddonfield, N. J.

July 9, 1948 (Philadelphia, Pa.)
Golf Tournament for STANY Cup at Philadelphia.

July 13, 1948 (Detroit, Mich.)
Security Traders Association of Detroit and Michigan Annual Summer Party at Lochmoore Country Club, Grosse Point, Mich.

July 16, 1948 (Toledo, Ohio)
Bond Club of Toledo annual outing at the Inverness Country Club.

July 19-22, 1948 (Portland, Oreg.)
Annual Convention of National Association of Securities Administrators at the Multnomah Hotel.

Aug. 27, 1948 (Denver, Colo.)
Bond Club of Denver-Rocky Mt. Group of IBA joint Annual Party at Park Hill Country Club.

Nov. 15-18, 1948 (Dallas, Tex.)
National Security Traders Association Convention.

Dec. 5-10, 1948 (Hollywood, Fla.)
Investment Bankers Association 1948 convention at the Hollywood Beach Hotel.

Morgan Stanley and W. E. Hutton & Co. Offer Cincinnati Gas 3% Bds.

Morgan Stanley & Co. and W. E. Hutton & Co. jointly head an investment banking group which on June 23 offered to the public a new issue of $15,000,000 first mortgage bonds, 2⅞% series of The Cincinnati Gas & Electric Co. The bonds, due 1978, are priced at 101% and accrued interest to yield approximately 2.82½% to maturity. The issue was awarded to the group at competitive bidding on June 21.

Proceeds from the sale of the bonds will be used to finance a portion of the construction program of the utility company. During the current year the company plans to spend approximately $18,000,000 for additions and improvements to its electric generating stations, transmission and distribution systems, gas manufacturing plant and gas distribution system.

Giving effect to the present financing the company will have outstanding funded debt of $60,500,000; 270,000 shares of 4% preferred stock, $100 par value, and 2,244,000 shares of common stock.

White, Weld & Shields And Associates Offer Consumers Pr. Pfd. Stk.

An underwriting group headed jointly by White, Weld & Co. and Shields & Co. is offering to the public a new issue of 200,000 shares of $4.52 cumulative preferred stock, without par value, of Consumers Power Co. The stock is priced at $102.725 per share and accrued dividends.

The new stock will be redeemable at $106.725 per share on or prior to July 1, 1953, at $105.725 for the next five years, and at $104.725 thereafter.

The company will use the proceeds from the sale to finance, in part, its current construction program.

Halsey, Stuart Offers Sierra Pacific Pow. Bds.

Halsey, Stuart & Co. Inc. is making a public offering today of $3,500,000 Sierra Pacific Power Co. first mortgage bonds, 3⅛% series due 1978 at 101¼% and accrued interest. The firm won award of the bonds at competitive sale on its bid of 100.5399.

Proceeds will be applied to the financing of the company's construction program and to other corporate purposes.

The bonds will be redemable at prices ranging from 104¼% to 100% and at special prices scaled from 101⅝% to 100%.

The company is a public utility operating company engaged in the electric, water and gas business and is qualified under the laws of California and Nevada to conduct such business in those states.

With S. B. Franklin Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Cone H. Johnson is with Samuel B. Franklin & Co., 215 West Seventh Street.

Corporate Earnings and The Stock Market

By WHITMAN C. HAFF
With Ward & Co.

Mr. Haff ascribes failure of stocks to advance during last two years in line with rising corporate earnings and dividend payments to exaggerated reports of coming business depression. Holds, with heavy public spending, it is doubtful if business recession can come for several years.

Perhaps there is no other industry in the country where there are faster changes than in Wall Street. The stock market is somewhat like "The 'Ole Mule." It often does the opposite that is expected of it.

Recently stock prices went through the Dow Jones 1947 and 1948 highs. It is difficult to figure out why this did not happen a year and a half ago when corporate earnings were at their highest in history and which has continued through to today. Extra, special and increased dividends have been paid to stockholders almost "by the bushel basket." In face of all these high dividends and earnings, stock prices, until recently, have invariably declined and especially when these dividends were announced. In fact it seemed to be almost a foregone conclusion that such a stock would decline if an especially good dividend was about to be announced. Here was a situation where corporate earnings were rising higher and higher while stock prices were completely ignoring them and continually declining. Never, in this writer's long experience and memory, has such a situation existed.

What could have been the cause for this most peculiar condition? Overstated and exaggerated reports of "the coming big business depression," efforts of the Administration to defy the law of suppl and demand, strikes, the foreign situation and other reports which virtually made the public rur away from the stock market such as they would from an atomi bomb. Therefore many good stocks "went begging." Salesmen tried to assure their clients how low stocks were selling in comparison to corporate earnings but all to little avail. Many stocks, even today, are selling only a few times earnings and some even under their quick assets. Corporate earnings are still high and climbing even higher as witness the oil industry.

Government spending is large and will be much larger. Billions of dollars for war preparedness. Billions for the Marshal Plan and many other things, all, of which, is rapidly making this country the ruler of industry all over the world. At least until Europe can rebuild its own manufacturing plants and provide its own agricultural needs.

With all this spending and demand, it is doubtful if a business recession can come for at least several years. One of the most hopeful signs is that the public interest in the stock market, at the present time, is very large and might continue for sometime to come.

According to the New York "Times," consolidated net income reported by 297 industrial manufacturers for the first quarter of 1948 shows an increase of 26% over the first three months of last year. This, of course, has occurred before any large spending by the Government under the Marshall Plan or for war preparedness has really started.

Rearmament and the Money Market

By MARCUS NADLER*
Professor of Finance, New York University

Asserting rearmament and European aid has added new inflationary potentials, Dr. Nadler foresees likelihood of shortages becoming more acute together with renewal of deficit spending. Says we may expect further increase in bank reserve requirements and rise in interest rate on Treasury short-term borrowing. Urges strict economy in non-military government expenditures and concludes a "rearmament boom would have entirely different effects from those developed in 1941."

The need for rearmament has injected a new element of uncertainty in the economy of the country. Coming on top of the reduction in taxes and the passage of the European Recovery Aid Bill, it has added new inflationary potentials, the outcome of which cannot as yet be foreseen. For the moment it is impossible to evaluate accurately the probable effects of rearmament on the economy, because a great deal will depend on the magnitude of the appropriations and the fiscal measures taken to prevent the increased military expenditures from converting the present large budget surplus into a deficit. Two assumptions are possible: (1) That the rearmament expenditures will be much larger than are now anticipated, or (2) that the total military expenditures for the fiscal year 1948-49 will not exceed $14 to $15 billion and that economies will be made in the other expenditures of the Government. The economic consequences of rearmament will depend on which of these assumptions materializes.

Dr. Marcus Nadler

Let us assume, first, that military expenditures during the coming fiscal year will amount to well over $20 billion. In that case it may also be assumed that the number of men in the armed forces will be materially increased. The consequences of such a development, briefly summarized, would be as follows:

(1) The shortages which are still pronounced, particularly in steel and allied products, will become much more acute. To meet the military demand the production of certain types of goods, notably durable goods, will have to be curtailed. Hence, at a time when the supply of money available for spending will be increased because of the enlarged military expenditures, the supply of goods available for consumption will decrease. The inflationary potentials of this situation are quite evident and need not be further elaborated.

(2) Military expenditures of this magnitude would undoubtedly convert the present budget surplus into a deficit. This in turn raises the question of how this deficit could be met. The easiest way, of course, would be to sell short-term government obligations to the commercial banks. Through open market operations the Federal Reserve Banks could broaden the credit base of the country and thus enable the commercial banks to acquire additional billions of dollars of short-term government obligations. Such a development would be highly inflationary in character because it would add to the volume of bank deposits, which already are greatly swollen from developments during the war.

The Treasury could make an effort to distribute more government obligations to ultimate investors. It is doubtful, however, whether such an effort would be successful because the added inflation resulting from the increased military expenditures would press on the purchasing power of the dollar, which may induce many people to save less because of the constant loss of the purchasing power of the currency. Moreover, there is even a danger that under these circumstances many holders of Series E, F and G bonds might endeavor to redeem them, which would further add to the difficulties of the Treasury. While insurance companies and savings institutions have large sums at their disposal for current investment, experience of the last few months has shown that they are more inclined to sell government obligations than to buy them.

There is, of course, a possibility that Congress will endeavor to prevent a deficit from developing by imposing new taxes on corporations as well as on individuals. Should it become necessary to spend such large amounts for military expenditures as is envisaged above it would be desirable to impose new taxes in order to prevent further deficit financing by the government. Moreover, utmost economy on the part of the government will become absolutely essential to prevent the deficit from going too far, thereby creating the need for further back-breaking taxes. Even now, after the recent reduction in personal income taxes, the rates are still very high and have given rise to the question of their effect on the formation of equity capital.

(3) Should military expenditures be as large as we are now assuming, it may be necessary to impose allocations, rationing and other controls on the economy. Allocation of basic raw materials could probably work satisfactorily. It is doubtful, however,

(Continued on page 33)

*An address by Dr. Nadler before the Virginia Bankers Association, Hot Springs, Va., June 18, 1948.

NSTA Notes

NEW ASSOCIATION

Elmer E. Myers, B. W. Pizzini & Co., an active member of the Security Traders Association of New York, is the proud father of a son, Stephen Elmer Myers, born May 16, 1948 at St. Clare Hospital, New York.

BOND CLUB OF DENVER

The Bond Club of Denver will hold its joint annual party with the Rocky Mountain Group of the Investment Bankers Association on Aug. 27 at the Park Hill Country Club,

BOND CLUB OF LOUISVILLE

The Bond Club of Louisville will hold its annual party on July 9 at the Sleepy Hollow Club.

SECURITY TRADERS ASSOCIATION OF DETROIT AND MICHIGAN

The Security Traders Association of Detroit and Michigan will hold their annual summer party on July 13 at the Lochmoore Country Club, Grosse Pointe, Mich.

"AD LIBBING"

In writing our notes today, we are quite confused due to the weather, Republican Convention, and perhaps personal reasons. Maybe the foregoing is the reason why our gross during the past week has only increased $500.

* * *

We are reminded by the Wesleyan "Christian Advocate," "Too many people quit looking for work when they find a job." Let us not assume this attitude when it comes to placing an ad in our "Financial Chronicle" NSTA Year Book or when asked to serve on our committees. As soon as we hear from Chicago, Denver and Seattle, we will announce our complete committee, at which time, we are confident our entire membership will be more than satisfied with results.

* * *

K. I. M. YOUR NSTA—"BUY ADVERTISING."

HAROLD B. SMITH, Chairman
Yearbook Committee, NSTA
Collin, Norton & Co.,
120 Broadway,
New York 5, N. Y.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

As the first step in a program to expand and develop its banking and title insurance facilities, **Title Guarantee and Trust Co. of New York** on June 17 elected Barnard Townsend, President of **The Troy (N. Y.) Savings Bank** since 1936, as a trustee; and announced that on July 1 Mr. Townsend will become President and Chief Executive Officer. As President, Mr. Townsend will succeed Harold W. Hoyt. Mr. Townsend, who is 39 years old, is one of the youngest bank Presidents in the country. He is said to have been largely responsible for the leadership displayed over the last twelve years by the Troy Savings Bank. Mr. Townsend, who was born in New York City, is a grandson of the late Edward Townsend, who was President and later Chairman of the Board of the Importers and Traders National Bank. He left Yale University in 1931 to join the trust department of Central Hanover Bank & Trust Co. Joining the Troy Savings Bank he was made President within two years. From 1942 to 1944 Mr. Townsend served as Chairman of the Investment Committee of the Savings Banks Association of the State of New York, and in 1944 and 1945 was a member of the Council on Administration of the National Association of Mutual Savings Banks. Mr. Hoyt is continuing as a trustee.


Barnard Townsend

* * *

The **Corn Exchange Bank Trust Co. of New York** announces the appointment of H. Dudley Gerard and John H. O'Callaghan as Assistant Secretaries.

* * *

N. Baxter Jackson, Chairman of **the Chemical Bank & Trust Co. of New York** announced on June 17 the election of Frank D. Hendrickson, President of the American Hard Rubber Co., to the Advisory Board of the 320 Broadway office of the bank. Mr. Hendrickson is also a director of the What Cheer Mutual Fire Insurance Co., the Pequannoc Rubber Co. and the Rubber Manufacturers Assoc.

* * *

Richard H. Mansfield, who has resigned as Vice-President of **Chase National Bank** in charge of all New York City branches, has become an associate of John D. Rockefeller, Jr., it was announced on June 16 by Mr. Rockefeller's office. Among Mr. Mansfield's new responsibilities will be service as a member of the board of directors and as Chairman of the finance committee of Rockefeller Center, Inc., of which Nelson A. Rockefeller is President. Mr. Mansfield will also be Executive Vice-President of Rockefeller Brothers, Inc., of which Laurence S. Rockefeller is President. This is a corporation created by the five Rockefeller brothers for the purpose of investigating and financing of new, productive businesses, making permanent or long-term investments and the management and supervision of such investments.

Mr. Mansfield started his career as a messenger with Brown Brothers and in 1923 joined the Mechanics and Metals Bank, where he was securities clerk. After that bank merged with the Chase in 1926, he served as an officer of various branches. He was appointed manager of the Rockefeller Center branch when it opened in 1933 and was named Vice-President in 1940. A year ago he went with the head office as Vice-President in charge of New York City branches. Mr. Mansfield is a director of Chase Safe Deposit Co., Treasurer of the Episcopal Diocese of New York, and trustee and member of the finance committee of Diocesan Investment Trust of the Diocese of New York. He is a trustee of The Seamen's Bank for Savings in the City of New York and a member of the Board of Managers of Seamen's Church Institute of New York. He is a Commander in the Order of Orange-Nassau, an award for services to the Netherlands during and after the last war.

* * *

Rowland W. Brown and Arthur B. Smith, of **Brown Bros. Harriman & Co.**, private bankers, were among the victims of the crash of a United Air Lines plane on June 17 at Mt. Carmel, Pa. Both men were on their way home after a business trip to Chicago. Mr. Brown, in charge of the firm's accounting department, had been with the company for 21 years. In World War II, he was a crew chief in the Army Air Forces with the rank of technical sergeant. He returned to the bank following his discharge from service in 1945. Mr. Smith also had been with Brown Bros. Harriman for 21 years and was the bank's Auditor. He was a member of the Executive Committee of the National Association of Bank Auditors and Comptrollers, and active in the Association of Stock Exchange Member Firms.

* * *

James F. Corroon, President of Corroon & Reynolds Corp. and R. A. Corroon & Co., Inc., has been elected a director of the **Lawyers Trust Co. of New York.**

* * *

The Board of Directors of **Fulton Trust Company of New York** on June 17 elected Clement M. Cooder a Vice-President of the company. He also is Trust Officer of Fulton Trust. Mr. Cooder, with the trust company since 1918, is a member of the Executive Committee of the Fiduciaries Association. He was graduated from Princeton University in 1907 and from Columbia Law School in 1910.

* * *

The East River Savings Bank of New York, the 100th anniversary of which, this year was noted in our issue of April 15, page 1663, is distributing various data in connection with its Centennial Celebration; one of these is its story of its beehive, that symbol having been featured on early handbills and passbooks. The bank has also issued a folder, recalling that 100 years ago New York had but two post offices, contrasting with 100 New York post offices today, and 11,226 mail boxes in New York City alone. The bank is likewise distributing in booklet form, a perpetual calendar.

* * *

The New York State Banking Department announced on June 11 that it had issued on June 9 authorization for the opening and maintenance by Macy's Bank of New York of a branch office at 1007-1009 Flatbush Avenue and 2145 Tilden Avenue (corner of Flatbush and Tilden Avenues) Brooklyn on and after June 10. The notice of the filing of the application was referred to in our June 10 issue, page 2545.

Special Libraries Association Elects Officers

The Financial Group of the Special Libraries Association at its annual business meeting on June 11 in Washington, D. C., elected Laura Marquis, Librarian of the Mellon National Bank & Trust Co., Pittsburgh, its Chairman for 1948-49, succeeding Ethel Klahre, Librarian of the Federal Reserve Bank of Cleveland. Alvern H. Sutherland, Librarian of the Board of Governors of the Federal Reserve System was elected Vice-Chairman, succeeding Laura Marquis and Amy Dene Early, Librarian of the Federal Deposit Insurance Corporation was elected Secretary-Treasurer succeeding Eleanor Howard Grieve, Librarian of the Federal Reserve Bank of Cleveland, Pittsburgh Branch.

Speakers at the Financial Group program were Clay Anderson, Financial Economist of the Federal Reserve Bank of Philadelphia who spoke on "Federal Reserve Policies," Dr. Stuart Rice and Dr. Walter F. Ryan, officials of the U. S. Bureau of the Budget who discussed current developments in statistical services of the government and C. Harrison Clark, Economist of the International Bank for Reconstruction and Development who addressed the group on Economic Implications of the European Recovery Program.

Proposed projects for 1948-1949 are the compilation of a selected list of books of interest to financial organizations; the issuance of a geographical list of all bank libraries, and the compilation of a list of bank economic letters.

Time for Exchange of Columbian Mtge. Bds. Extended to July 1, '50

Agricultural Mortgage Bank, Colombia, announces it has extended from July 1, 1948 to July 1, 1950, the time in which certain Colombian Mortgage Bank bonds and the appurtenant coupons may be exchanged for Republic of Colombia, 3% external sinking fund dollar bonds, due Oct. 1, 1970.

The period for offering convertible certificates for the Republic's 3% bonds, due Oct. 1, 1970 in exchange for the 3% bonds in multiples of $500 principal amount has been extended from Jan. 1, 1949 to July 1, 1950.

The exchange offer on the Mortgage Bank bonds was made originally on June 25, 1942. The National City Bank of New York is exchange agent.

The bonds covered by the exchange offer are Agricultural Mortgage Bank guaranteed 20-year 7% sinking fund gold bonds due April 1, 1946, guaranteed 20-year 7% sinking fund gold bonds due Jan. 15, 1947, guaranteed 20-year 6% sinking fund gold bonds due Aug. 1, 1947, and guaranteed 20-year 6% sinking fund gold bonds due April 15, 1948;

Also, Bank of Colombia 20-year 7% sinking fund gold bonds due April 1, 1947, and 20-year 7% sinking fund gold bonds due April 1, 1948;

Also, Mortgage Bank of Colombia 20-year 7% sinking fund gold bonds due Nov. 1, 1946, 20-year 7% sinking fund gold bonds due Feb. 1, 1947, and 20-year 6½% sinking fund gold bonds due Oct. 1, 1947;

Also, Mortgage Bank of Bogota 20-year sinking fund gold bonds, due May 1, 1947, and 20-year 7% sinking fund gold bonds due Oct. 1, 1947.

Miss Kapelsky 25 Yrs. With S. F. Exchange

SAN FRANCISCO, CALIF.—The San Francisco Stock Exchange suspended trading for a few minutes June 11, in order to present Miss Ruth Kapelsky, Secretary of the Exchange, with a diamond-studded wrist watch in honor of her 25th anniversary with the Exchange.

Miss Kapelsky was employed by the Exchange on June 11, 1923. In 1929 she was appointed Assistant Secretary and in 1932 was made Secretary of the Exchange, which position she has held to date.

Miss Kapelsky has the distinction of being the only woman executive officer on the staff of a national securities exchange. Not only do the members of the Exchange and staff hold her in high esteem but any one who has had any contact with the Exchange recognizes her exceptional ability and understanding of the complex problems and rules of the securities business.

Mr. Bertram E. Alanson, former President of the Exchange and many times Governor, made the presentation with a speech to the membership assembled on the floor.

Bond Club of N. J. Elects New Officers

NEWARK, N. J.—The Bond Club of New Jersey at their annual meeting at the Downtown Club, elected the following new officers for the coming year:

President: Stanton M. Weissenborn, Parker & Weissenborn, Newark, succeeding Alexander Seidler, Jr., of the National State Bank of Newark.

Vice-President: Courtlandt B. Parker, New Jersey representative for R. W. Pressprich & Co.

Secretary: C. Wallace Smith, New Jersey representative of Smith Barney & Co.

Treasurer: J. William Roos, MacBride, Miller & Co., who was reelected.

Named to the Board of Governors for three-year terms were Alexander Seidler, Jr.; Harry Miller, Nugent & Igoe, East Orange; and John J. Ryan, Ryan, Moss & Co., Newark.

Richard K. Hexter Joins C. E. Abbett & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Richard K. Hexter has become associated with C. E. Abbett & Co., 3277 Wilshire Boulevard. He was formerly Los Angeles Manager for Carter H. Corbrey & Co. and prior thereto was head of Investment Fund Distributors.

Mason Kight Forms Own Firm

LONG BEACH, CALIF.—Mason Kight has formed Mason Kight and Associates with offices in the Times Building to engage in a securities business. He was formerly Assistant Manager for the local office of Buckley Brothers. Prior thereto he was with Pacific Co. of California and H. R. Baker & Co.

With Bailey, Selland Co.

(Special to THE FINANCIAL CHRONICLE)

FRESNO, CALIF.—Neil T. Ferguson has become associated with Bailey, Selland & Davidson, Fulton Fresno Building, members of the San Francisco Stock Exchange.

Joins Walston, Hoffman Staff

(Special to THE FINANCIAL CHRONICLE)

FRESNO, CALIF.—William H. Hopkins is now connected with Walston, Hoffman & Goodwin, Bank of America Building. He was previously with E. F. Hutton & Co. and Dean Witter & Co.

Needed: A National Monetary Commission

By THOMAS I. PARKINSON*

President, The Equitable Life Assurance Society of U. S.

Mr. Parkinson urges appointment of a national commission composed of members of Congress and others to thoroughly investigate present monetary problems and suggest new legislation.

In the face of rising prices and a steadily deteriorating monetary situation, Congress has been inactive and silent, and government agencies devoted to money management have failed repeatedly even to present an effective plan to put our financial house in order.

T. I. Parkinson

Yet avoiding this problem simply makes it worse.

Because there is now no effective machinery to deal with the causes of currency inflation and high prices, because the Federal Reserve has clearly admitted its inadequacy to meet the emergency, important changes must be made in our monetary setup.

Mr. Eccles, testifying before a Congressional Committee, has said that the powers heretofore exercised by the Federal Reserve Board to control the money market are no longer useable or effective for that purpose. Others have stated that the Federal Reserve no longer controls the money market—that is, the amount of the money supply and rates of interest—that on the contrary, the market controls the Board.

Mr. Eccles and other members of the Federal Reserve Board have suggested and to some extent required additional legal reserves in order to reduce the amount which commercial banks which are members of the Federal Reserve System have available for further inflationary lending or investing. However, these additional reserves, while they would decrease the commercial banks' capacity to create additional money supply, will be ineffective so long as the Federal Reserve System buys at a pegged price Federal bonds held by the commercial banks. They still hold about $65 billion of government bonds, and under existing rules, all of this can be turned in and converted into further increases in our money supply.

That is the kernel of the whole situation. It is the method of maintaining the low interest rate demanded by the Treasury. It is the reason for the Reserve Board's lack of control over the money market, and any change in it has now become almost impossible without a thorough examination of all the problems involved.

Only Congress can undertake this task.

To take into consideration a fundamental reorganization of our financial management Congress should immediately create a National Monetary Commission.

This Commission, in order to be truly representative of the people, should be composed of three members of the Senate, three members of the House of Representatives, and three persons experienced in monetary matters, appointed by the President.

Upon completion of a thorough study of our financial problems, a plan of reform and suggested legislation should be presented to Congress. Then we could expect some action.

This is not an alarmist suggestion. The fact of our steadily augmenting financial peril cannot be denied, and ever since the end of the war it has become more and more evident that the Federal Agencies—particularly the Federal Reserve Board—charged with the management of our monetary policies are totally unable to cope with the situation.

The power over money was vested by the Constitution exclusively in Congress. This was one phase of centralization of government that we have found to be wise and prudent; it means at this time that if any action is to be forthcoming in putting our financial house in order, it must emanate from Congress.

When we went off gold, we were promised a money that would have a stable purchasing power. Since that time we have had a continuous depreciation of the dollar, and at the present time the monetary managers have abdicated. Ultimately something will have to be done, and the longer action by Congress is delayed, the more difficult it will be. Some day the question must be faced whether we are going to drift into dangerous inflation due to unsound currency or are prepared to absorb some deflation in order to get on a sound basis.

To cope with inflation we are using now a financial system designed for a deflation period. Obviously it is not working; and obviously no one—with the possible exception of the commercial banks—is benefiting from the ominously rising supply of money. We see every day that more money means higher prices, and that in terms of a family's budget the prices seem to rise more quickly than the money gets into the bank.

A Monetary Commission represents the first step in tackling the problem. Our financial system must be analyzed from the ground up, and the basis laid for a more stable, more adequate method of monetary management. This immediate problem certainly is inflation, but in instituting the machinery to fight inflation, we can also build up powers to cope with deflation. One shortsighted mistake has been made already in this line; the Federal Reserve Board's policy proved satisfactory in bridging a deflation era, but was not designed to meet the kind of danger we now face, and that policy has not been changed. We want a system of monetary management good not only to apply the brakes to inflation but also for the long range. Unless we get it soon, it will be too late.

These figures cannot be laughed off:

	1942	1946	1948
Money Supply	$76 billion	$150 billion	$170 billion
U. S. Treasury Debt	$58 billion	$278 billion	$256 billion
Cost of Living Index	112	129	168
Wholesale Price Index	96	107	165

Nothing and no one has stemmed the tide. Only Congress has full power over monetary matters, and only Congress can create the powers and agencies necessary to bring financial security and end the pitiful merry-go-round of higher prices followed by higher wages and yet higher prices.

We need a Monetary Commission, and need it now!

*A release by Mr. Parkinson, distributed by Continental Press Syndicate, Brightwaters, N. Y.

Paul H. Hadley With Boettcher in Denver

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Boettcher and Company, 8282 Seventeenth Street, members of the New York Stock Exchange, have added Paul H. Hadley to their staff. Mr. Hadley was formerly Vice-President of Investment Service Corp. and prior thereto was with Sullivan & Co.

Paul H. Hadley

Bost & Phipps Join Shields in Chicago

CHICAGO, ILL.—W. Dale Bost, former Chairman of the Board of the Orange Crush Company, and William F. Phipps, former President of the investment banking firm of Thompson, Davis & Phipps, have become associated with the Chicago office of Shields & Co., 135 South La Salle Street, nation-wide investment bankers.

Mr. Bost was associated with the Orange Crush Company as an officer and member of the Board of Directors for more than 20 years. He was founder of the Bost Toothpaste Company. He is a member of the Saddle & Cycle Club and Mid-Day Club.

Mr. Phipps was formerly associated with Halsey, Stuart & Co. Inc., and Max McGraw & Co.

Davis, Hunter, Scott & Co. Open Branch in Buffalo

BUFFALO, N. Y.—Davis, Hunter, Scott & Co., Michigan investment firm, has opened a branch office at 676 Ellicott Square.

Congressman Buffett Offers Bill to Create Monetary Commission

Member of House Banking and Currency Committee, who has been advocating restoration of gold standard, models measure on Aldrich Commission of 1908-12.

A bill to create a National Monetary Commission, modeled on the famous Aldrich Commission of 1908-12 whose report led to the creation of the Federal Reserve System, was introduced on June 16 by Congressman Howard Buffett (R., Nebr.). The bill is advocated by the Conference of American Small Business Organizations of Chicago, which Cong. Buffett addressed last month in support of his bill to resume gold payments. The Congressman has announced that both of his bills will be reintroduced in the next session of Congress.

Howard Buffett

Congressman Buffett, a recognized specialist on economics and finance in the House, is a member of the Banking & Currency Committee which handles all such legislation.

While action on the proposed monetary commission is not anticipated this year unless there is a special session, there is wide support for the idea, which will undoubtedly result in prompt consideration when Congress reconvenes.

On June 14, Winthrop W. Aldrich, Chairman of the Chase National Bank of New York, advocated "establishment of a money and credit commission to study monetary and banking legislation and to make suitable recommendations to Congress." Recently the Executive Secretary of the National Association of Credit Men came out in favor of the gold standard and "hard money," as represented by Cong. Buffett's earlier bill (H. R. 5031). Thousands of questionnaires are being circulated among bankers this week on both of Cong. Buffett's proposals by the Conference of American Small Business Organizations. The results of this poll will be submitted to the Small Business Advisory Committee for the Treasury Department, headed by Col. J. Warren Andrews of Montgomery, Ala., and to the Congress.

"There is no doubt that such a monetary commission will crystalize sentiment in favor of the universal gold standard," said Cong. Buffett. "There is no other ultimate conclusion to which it can come. However, the numerous steps and technical problems involved in restoring our currency and credit system to a sound basis may well engage the attention of such a commission of experts."

Congressman Buffett proposes an 18-man commission, of whom not more than half may be members of either major political party. Six would be appointed by the President of the United States, six by the presiding officer of the Senate, and six by the Speaker of the House of Representatives. Of each group of six, three would belong to the particular branch of the government involved, namely, the executive department, the Senate and the House, respectively, and three would be appointed from private life. Thus the full commission would be divided equally between government officials and private citizens, and between the two major parties.

The Commission would be directed to investigate all phases of currency, credit, banking and bank reserves, foreign exchange, the relation of money quantity to commodity prices, and in general to inquire into those steps necessary "to promote and maintain the utmost stability of domestic and international trade, as free as possible from uncertainty concerning the value of the currency of the United States," which the preamble of the bill declares to be the policy of Congress.

Sees Well-Sustained Business During Rest of '48

Service Points Out That More Lines Will Feel Reviving Competition

BOSTON, June 21.—In a special report issued today, the United Business Service makes the following forecasts for the second half of 1948.

General Business—Barring another extended coal strike, activity in general will hold around current high levels over the remainder of 1948. The supporting influences of the tax cut, rearmament, continued shortages of autos and housing, and large order backlogs for capital goods will offset deflationary tendencies. Recently improved business confidence will also have a bolstering effect. However, more lines will feel reviving competition, and the benefits from aggressive management and efficient plants will become more pronounced in the months ahead.

Production may edge slightly above the first-quarter peak, but further gains will be small due to (1) limited additional capacity, (2) shortages of steel and other metals, and (3) curtailments in some soft goods and appliances which will tend to offset gains in others.

Prices are likely to show rather wide variations in the next six months. Lower farm prices are in prospect (although some items are already at or near support levels). On the other hand, higher wage costs will force further price markups in a number of industrial commodities and manufactured consumer products. Living costs will work somewhat higher despite prospective weakening in foods.

Automobiles — Some expansion of output is forecast in the second half—barring another crippling coal tie-up which would curb steel supplies. Full-year output should at least equal the 5 million cars and trucks in 1947, and may reach 5¼ million if labor troubles are avoided. With order backlogs huge, little trouble will be experienced in passing along higher wage costs to the public in the form of still higher car prices.

Building — Total expenditures for new construction this year are likely to show a 15-20% gain over the $13 billion in 1947. Residential outlays should be up 25-30%. While gains in physical volume will be less spectacular, at least 900,000 new dwelling units are expected to be built this year against 835,000 in 1947. Building costs are near their peak, but no appreciable decline is looked for this year.

Steel will remain in short supply throughout 1948 despite prospective output of about 3 million more ingot tons than in 1947. Some voluntary wage concessions are expected by fall, which will bring further selective increases in steel prices.

Retail Sales—Dollar sales will continue high in the second half. Full-year volume is expected to be 6-8% larger than in 1947. However, strong promotional efforts and some price markdowns will be necessary to maintain unit turnover. With competition growing and costs still heading upward, even a small loss of turnover will have a sharp impact on profits.

Stock Market—An upward trend is predicted during the second half, but at a slower pace than has featured the rise from the March low. The Industrial Average (Dow-Jones) will probably reach 210. Earnings will be at least well-maintained, and dividends will exceed total 1947 distributions.

Edward L. Bouton With Eldredge & Co., Inc.

Edward L. Bouton has become associated with Eldredge & Co., Inc., 40 Wall Street, New York City. In the past he was with B. J. Van Ingen & Co. and was a partner in Bouton & Church.

H. J. Williams Wins Phila. Securities Golf

PHILADELPHIA, PA.—Harold J. Williams of Boenning & Co. won the President's Cup at the annual golf outing of the Philadelphia Securities Association at Llanerch Country Club with a score of 36-41—77.

Harold J. Williams

Larry Warren of Reynolds & Co. took the low net honors with 80-6-74.

In Class B the gross winner was Edwin L. Ferguson of Stein Bros. & Boyce with 41-41—82. Low net was won by the Walter Fischer of Buckley Brothers. Class C gross was won by Robert MacNeil of Buckley Brothers with 46-47—93. Net was won by R. W. Drummond of Paine, Webber, Jackson & Curtis with 105-35—70.

Kicker's Handicap was won by John H. Webster, III, of Provident Trust Co. of Philadelphia.

An R.C.A. television set was awarded to Harry L. Heffelfinger of Samuel K. Phillips & Co.

Robinson-Humphrey Adds

(Special to The Financial Chronicle)

ATLANTA, GA. — Robinson-Humphrey Co., Rhodes-Haverty Building, have added Henry P. Heid, Jr., to their staff.

New Post for Dunshee

Kenneth H. Dunshee, public relations director of The Home Insurance Co., New York, has been appointed to the additional post of assistant secretary.

Joseph D. Means With Merrill Lynch in Chicago

(Special to The Financial Chronicle)

CHICAGO, ILL. — Joseph D. Means has become associated with Merrill Lynch, Pierce, Fenner & Beane, Board of Trade Building.

Role of the Family Trust

(Continued from page 8)

It became clear, abundantly clear, that safety lay only in mobility, ingenuity, compromise, adjustment and adaptation. The rigorous and fixed concepts of Feudalism, the Divine Right of Kings, Puritanism and Didactic Christianity all were shaken on their foundations together. For Darwin had spoken, Voltaire had written and Christopher Columbus had explored. The persistent notion of the power of protection of fixed battlements had been badly dislocated.

Introduction of New Ideas

It seems to me that these new ideas began to race by with gathering speed in the second half of the 18th century and the first half of the 19th. Progress was, of course, uneven—in some respects we are still somewhat medieval in approach. In this Republic at least, and in Britain, many remarkable things took place between 1775 and 1850. The effects of the French Revolution and of the American Revolutionary struggle were dramatic parts of the developing scene. American trade, commerce and social activity burgeoned. In New England particularly a race of hardy pioneers undertook experiment after experiment, in philosophy and religion, in education and in commerce. The Anglo-American civilization, flexible in every part, drove energetically to every corner of this continent and to many parts of the world. So mobile was our economy that caste distinctions crumbled persistently; year after year the waves of immigration from the old countries found their places and opportunities here.

Capital was vigorously employed. Shares of clipper ship ventures, mill shares, real estate development shares, shares of insurance companies and banks, were eagerly purchased not only by merchant princes and by bourgeois proprietors, alive and breathing, but were just as eagerly purchased and retained by the managers of many a family trust fund. This had been made especially possible in Massachusetts and in jurisdictions which followed the Massachusetts lead by a pentrating decision of the Supreme Judicial Court of Massachusetts, decided in March of 1830, which announced what has come to be known as the Prudent Man Rule. The family trust arrangement flowered tremendously; the private banking system of this Republic blossomed along with it. We had in America a constantly growing reservoir of accumulated savings, ever nourishing enterprises and the expanding development of old enterprises.

Intermittently this process has continued. I say intermittently because in the period since 1850, and particularly since 1915, there have been a number of powerful influences at work which indicate the presence, and perhaps the necessity, of certain repressing forces. Possibly you will agree with me that some of these influences threaten to take away from us something of the dynamic vigor which, accompanied by tremendous mobility, has made our Republic and our social democracy a formidable force indeed. With each of these developments it may be that we have lost something of our punching power in the fiduciary field and in the banking field as well. It may be, indeed, that we are following, as we usually do, in the footsteps of our parent nation, Britain, at the respectful distance of something like a generation or two. It may also be that if we are going not only to defend our economy in this troubled world but also to advance our standard and keep it in a position of clear leadership we shall need to recapture some of this old-fashioned, almost buccaneering, sense of experimentation; not only in the fiduciary field but in the field of commercial banking. Possibly the effort will not be in vain, for as I hope to point out in a moment the philosophic economy of our chief world opponents has been, and is, essentially rigid and static; even though we have deluded ourselves into believing that it is dynamic. Yet is is plain that we do not have much time to lose. We must be about taking our vitamins; we must strive in every way that lies within us to recapture the vigor of our forefathers.

Repression of Conservatism

What are some of these repressive influences of which I speak? Well, one of them is nothing more than the comparative conservatism which seems always to come with approaching maturity. In 1840 there were 21 millionaires in New York City. There were fewer in Boston and Philadelphia but the Boston variety made up in daring what they lacked in numbers. They took some pretty wild chances. There was little of what may be called corporate fiduciary practice in those days, but again, what there was was pretty virile.

Today there are nearly 3,000 trust institutions in the country. These institutions as of recent dates are administering more than $36,000,000,000 of property and personal trust accounts, the equivalent of $1.00 for every $4.00 of the roughly $157,000,000,000 of bank deposits as of Jan. 1, 1947. Forty-eight percent of these trust institutions are national banks; they hold 31.7% of the business; 20% are state member banks with 52.9% of the business; 27% are non-member insured banks with 6.4% of the business; 4% are neither member nor insured banks with 9% of the total business. These statistics are sufficiently impressive but it is to be borne in mind that they do not include any of the very large volume of fiduciary business which is done by individuals throughout the United States, notably members of the investment and legal fraternity. They do not include, either, the very considerable amount of money which is held by charitable corporations throughout the country. The endowments of a dozen leading universities of the country aggregate more than $500,000,000; it may be imagined that the aggregate endowments of churches, hospitals, fraternal groups and other similar organizations would reach a staggering sum. On top of all this, one must think in terms of the gigantic aggregations of securities possessed by insurance companies and financial institutions of all sorts. The question to ask ourselves is the extent to which these enormous aggregations of funds have been placed on the shelf, so to speak, in a static condition because of these conservative influences which usually mark the approach of maturity in a society. Can it be that our legal framework as well as our type of management thinking has served to sterilize a large part of the savings of our vigorous past generations?

Tendency Toward Sterilization

I think that it is possible to be very much worried about the tendency of modern times in this respect. It may even be that our progress toward sterilization of a considerable amount of our accumulated capital is increasing geometrically. We all have observed the tremendous emphasis during the past decade upon the placing of savings in government bonds. What we may not have observed so keenly is the dangerous and alarming decline in capital formation which began in 1930 and has continued ever since. In the

March 1947 issue of the "American Economic Review," C. Reinold Noyes, President of the National Bureau of Economic Research, pointed out that from 1879 to 1929 inclusive our capital increased an additional 26 billion to 70 billion dollars each decade. It now seems clear that since 1929 the growth of our capital has ceased and that since that year we have been consuming capital. In the 15 years from 1931 to 1945, Mr. Noyes points out, there was a "decline of non-war capital of 9½ billion dollars." Professor Sumner H. Slichter of Harvard University has stated that:

". . . American Industry has about one-fifth less capital per worker today than in 1929. An expenditure of about $50 billion would be required to raise capital per worker to the level of 1929 and a considerably larger outlay to raise capital per worker to the level which would be normal in view of the long-term tendency of capital per worker to increase at the rate of about 2% per year."

As the St. Louis Union Trust Company pointed out in its March 1948 monthly letter, we are producing more than we used to produce, not because of an increase in capital but "because of an enlargement in the working force and the use of our existing capital equipment to the limit of its capacity. . . . We are following England's footsteps, and living upon our accumulated capital. We are robbing the future to spend more in the present. This is why our production cannot now be readily expanded sufficiently to bring the volume of goods available to the consumer in line with his swollen purchasing power. It is one of the principal reasons for the great inflation in purchasing power which curses our economy today."

I have said that part of these increasingly conservative influences abide in the framework of our political attitudes and hence of our law. That statement seems to me entirely justified. One of the things, for example, which has directly impeded the growth of our capital has been the political attitude reflected in Washington for a considerable number of years toward the private business interests of the nation. Expressions of that attitude have been found not only in labor relations statutes but also in tax policies. I have not time to discuss these manifestations in detail, nor do I think I need to, but it goes without saying that if it is the national will that heavy imposts be placed upon business enterprise and if the tax statutes are so framed that only a relatively few can possess accumulated purchasing power, and that those few persons have little or no incentive to invest their savings in business, our national free capital can scarcely be expected to increase. Likewise there are, in important jurisdictions of the country like New York and Pennsylvania, lingering relics of legislative impediment upon the free use of fiduciary funds in American industry. Those relics stemmed from England at a time when it was English policy to insist that accumulated savings be kept available primarily for the purchase of government obligations. As you all know, the Prudent Man Rule of Massachusetts, which tends to liberate fiduciary funds for participation in national free enterprise, has not been the law of New York State or of Pennsylvania and, unfortunately for the Republic, it has not been the law, until comparatively recently, of certain great commercial centers like Illinois, Texas and California. There have, however, been recent developments of importance in this field and I am pleased to say that within the past rough period of five years there have been added to the roll of Prudent Man jurisdictions the important states of Delaware, California, Michigan, Minnesota, Illinois, Texas, Washington, Oregon, Maine and now, recently, South Carolina. It is also interesting to observe that in the portfolios of the 12 universities to which I have referred it now appears that something approaching 37½% on the average of the total endowment funds consists of shares of common stocks. There is likewise, as I now observe it, a ferment at work both in the Insurance and Savings Bank worlds.

Should Liberate Capital Funds

It is my opinion that persons in your position should interest yourselves in the liberation of capital funds from the shackles of the legal list and that you should do what you can, in New York and Pennsylvania, to assist those great sovereignties to set free the accumulated savings of their citizens from this type of shackle.

It is my opinion, also, that each of you should deputize himself a personal and individual influence to remove from the legislative policies of the United States any and every influence which deprives the Republic of its mobile fighting power on the business and commercial front.

It is my further opinion that when corporate fiduciaries in the United States receive accumulated savings to hold, manage, invest and reinvest in trust they should take a much more alert and imaginative attitude toward the employment of those savings and should use them effectively and affirmatively and not merely rely upon the broad powers which are increasingly granted to them under the terms of their trust instruments.

I have a strong feeling that if we are willing to tackle this problem vigorously we shall not find our competition on the worldwide scale to be even difficult, let alone insuperable. The fact is, as all know, that our chief present rival for world domination is the Soviet Union. An equally important fact, however, is that the Soviet Union is operating under a self-imposed strait jacket of its very own. Totalitarian administration, confronted with a rather spasmodic adherence to the principles of Communism, portrays an innate weakness which may well lead to the downfall of the entire system. That weakness is exactly the same weakness which led to the downfall of feudalism. The system is cramped and frozen. There abides in every form of totalitarianism an intellectual, administrative and strategic rigidity which expresses itself in a blunt refusal to recognize facts and which makes administrative machinery and basic political strategy practically impossible of change. On top of all this, totalitarianism always takes elaborate steps to make certain that virtually the entire intellectual nourishment of its people will be administered on rigidly approved lines. DeWitt John, staff writer of the Christian Science Monitor, in an interesting article published on April 15, 1948, pointed out that the result of this rigidity is not only that leading Russian musical composers are compelled to confess weakness in their individual styles and to change their individual styles at the dictate of the central bureau, but that whenever, as in the case of Eugene Varga, a competent economist indulges in an analysis which seems over-favorable to the so-called economy of free enterprise he loses his official head.

History demonstrates that no system can endure if it flatly refuses to accept truth or newly discovered facts or new talents merely because these discoveries conflict with official preconceptions.

As Dewitt John says, "The very genius of western civilization—one secret of its grandeur and burgeoning achievements — has been the free-ranging urge to explore the unknown in all realms of knowledge."

We know from our history that medieval feudalism could not endure. We have seen what happened to the shackled societies of Germany and Japan. The question before us, as proprietors of this great Western Republic, is whether we are willing to assume those shackles ourselves and thus to delimit our own normal and natural rate of intellectual growth and progress.

Possibly there is a lesson to be learned out of all this, even by our commercial bankers. Possibly they also have fallen, thanks to government regulations (and over-regulation) and fear of public opinion, into a frame of mind which bespeaks conservation rather than growth. I cannot fairly say that I am expert in commercial banking transactions. But this I do know—that for the period of now considerably more than 25 years during which I have been at the Bar it has been cheerfully admitted by everyone, even including bankers, that one of the defects of our financial system is that sources of enterprise capital have been hard to find. So far as I can see, very little has been done, if anything, during that period to provide life blood to new and small American enterprise. The bankers of this Republic have failed, so it seems to me, to find an answer to that problem. They need to find that answer. A stuff-shirted tolerance will no longer suffice. We need, in short, to take ourselves out of our decorous tuxedos and place ourselves in the imaginative working garments of our ancestors.

People talk about this age as being the age of the young man. We need to stop fooling ourselves with that sort of statement. The really young men of this Republic founded our nation, and founded our trade, and saw to it that our strength increased in comparison with the strength of nations generations old. The young men of New England drove the Clipper Ships to China. The young men of the Thirteen Colonies wrote the Constitution. The young men of the nation explored the continent and laid down the highways. We have been acting, recently, not like young men but like timorous old men. In this respect we can learn from our own past.

I do not, believe me, speak in critical despair. I speak rather in confident high hope. For it is characteristic of any American professional or business man that once he sees the problem the solution is close at hand. I suggest that commercial bankers and trust men tackle this problem hand in hand and solve it together as companions at arms!

Advises on Doing Business Under ECA

In publication issued by American National Bank & Trust Company of Chicago, A. M. Strong, its Vice-President, summarizes procedures in selling, distributing, and reimbursement under recently enacted Foreign Assistance Act.

"Doing Business Under the Foreign Assistance Act" is the subject of a folder just issued by the American National Bank & Trust Company of Chicago.

In the publication, A. M. Strong, Vice-President in charge of the bank's foreign department, summarizes the procedures involved in selling and distributing goods under the program and outlines methods by which American suppliers will be reimbursed.

A. M. Strong

"In order to obtain dollars, the European importer must apply to a special agency in his country for approval of his purchases, Mr. Strong says. "When the request is for a product included in the schedule approved by the Economic Cooperation Administration, he will obtain permission to import and to pay for his goods with dollars set aside for ECA purchases."

Procurement authorizations, Mr. Strong points out, provide three methods of payment for materials supplied under the program.

The first method involves reimbursement by the Administrator to a participating country for payments made by it.

The second method involves the issuance of Letters of Commitment to banking institutions in the U. S. under which the banks will issue commercial letters of credit to the American suppliers. Under the third method, the Letter of Commitment will be issued to the American shipper and the Administrator will agree to pay the shipper or his assignee for the goods delivered to participating countries.

In summing up regulations issued to date by the Economic Cooperation Administrator, Mr. Strong says:

"To do business under the Marshall Plan, exporters should continue to use their present distributors and agencies; however, for certain commodities such as grains and some other foodstuffs or drugs purchased for relief purposes, it will be necessary to deal with U. S. Government agencies. Certain purchases will be made by foreign government purchasing missions.

"In making arrangements under the ECA program," he concludes, "it is advisable to instruct the foreign buyer to stipulate that the letter of credit be issued through a local bank. This will prove to be of considerable assistance in handling the intricate documents required under ECA regulations."

Frank Carter Heads Dep't for Equitable

Equitable Securities Corporation announces that Frank E. Carter,

Frank E. Carter, Jr.

Jr., formerly a partner in Carter & Chadwick, municipal bond brokers, has become associated with the firm as manager of the municipal bond department of its New York office, 2 Wall Street.

Now Partnership

DES MOINES, IOWA—Ballard-Hassett Co., Central National Bank Building, is now doing business as a partnership, with William L. Hassett, Fred G. Neu and Harold C. Neu as partners.

Merrill, Turben Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—Jack H. Doyle has been added to the staff of Merrill, Turben & Co., Union Commerce Building.

Canadian Investment Developments

By J. A. GAIRDNER*

President, Gairdner & Co., Ltd., Toronto

Retiring President, Investment Dealers' Association of Canada

In reviewing investment developments in Canada during last year, Mr. Gairdner lauds removal of bond price pegging by Bank of Canada but decries exchange restrictions which prevent favorable flow of investment funds into Canada. Urges realistic exchange rates with free movement of securities to aid flow of capital from U. S. Advocates sound immigration policy and revised tax structure.

The actions of the security markets in Canada since our last annual meeting are famaliar to everyone in our industry and need very little enlargement on my part.

The most outstanding development of the year was the withdrawal of the Bank of Canada as a buyer at a pegged price of Dominion of Canada securities. This action taken in January and February, after all other fixed income securities had been declining for some months, removed the fallacy that the Bank of Canada could and would support prices at an artificial level indefinitely and gave warning to investors that from then on natural forces could be expected to reflect their weight on bond prices probably tempered and stabilized to a degree by the buying and selling of the Central Bank and Government agencies. This action on the part of the Bank of Canada was in my opinion sound and constructive in that it gives capital, which after all is only the savings of the Nation, some hope of again realizing a fair return for its use. Prior to the change in policy of the Bank of Canada, other bonds had declined in value over a protracted period with the result that the action on the part of the Bank was clear and there were few, if any, severe losses suffered, though the market for new and old issues was extremely uncertain for six months and the spread between our highest grade issues and others widened perceptibly. In recent months the pressure of tremendous funds for investment has been felt and renewed confidence has entered the market. How long present levels will maintain I would not hazard a guess, but with tremendous development in store for Canada, I would not expect money rates to stay static at present levels and one should from now on bear in mind the fact that the Bank of Canada has made its role clear that it is not a price fixing factor, but rather a stabilizing influence which I think you will grant is as it should be.

James A. Gairdner

We of the Investment Dealer industry are so closely affiliated with the economic life of our country that any development, artificial or otherwise, that affects it, affects us for good or bad and so it behooves us to give voice to our opinions from time to time, particularly on those matters which most directly affect finance and the market and movement of securities.

A New Capital Expansion

Canada today is going through the third great Capital Expansion phase of this century. Three periods stand out in which construction awards increased in successive years from a low point to a peak.

The decade preceding the First World War was one of great construction activity. In the second period from 1922 to 1929 construction contract awards climbed from $331 million to $576 million. The third and current period of capital expansion has produced an increase of $511 million, from $206 million in 1943 to $717 million in 1947. (To a certain extent the figures for the third period are inflated by the rise in construction costs, but the accelerated pace of our advance in capital growth is nevertheless impressive and the end may not be yet.) It is quite conceivable that under relief from irritating governmental restrictions, this period of capital expansion could reach figures far in excess of any previous record.

Of the now familiar total of $2.8 billion which the Department

(Continued on page 26)

*Presidential address at 32nd Annual Meeting of the Investment Dealers' Association of Canada, Manoir Richelieu, Murray Bay, Que., Canada, June 14, 1948.

Canadian Securities

By WILLIAM J. McKAY

Throughout the ages civilization and modern progress has followed a consistent course towards the north and west. From the ancient empires of Africa to the northern Mediterranean, to the British Isles and thence to the New World. From that point the northwesterly trend of progress has been still further accentuated. From the Caribbean and South America to North America and again west to the Pacific, the pioneers of civilization have followed this pre-destined course. Today the dream of ancient explorers to blaze the trail of the "North West Passage" has become common-place reality.

Alaska and Canada's fabulous North-West Empire now offer a practical challenge to the initiative and imagination of the pioneers of the present generation. In this connection it is interesting to note that during a recent debate on emigration in the British House of Commons it was proposed that United Kingdom industrial towns establish nef facsimile towns in Canada. In view of the blow to British hopes for expansion in Africa as a result of the recent South African elections, this re-orientation of ideas is particularly significant. It would appear moreover that in addition to the South African political developments the current British schemes for the conquering of the African jungle are making little headway. These setbacks however are likely to prove to be blessings in disguise as historical precedents demonstrate the difficulties of large-scale white settlement in tropical areas.

Canada on the other hand offers a natural outlet for people of northern stock, and especially the rich empty spaces of the Canadian North-West. Previous popular fallacies concerning the rigors of the Canadian northern climate have now been definitely dispelled. Indeed it is now recognized that the Canadian climate is a national asset which is conducive to hard work and high endeavor. Canadians themselves are now beginning to share the views of the late Stephen Leacock who so vigorously deprecated the previous Canadian attitude of caution and pessimism regarding Canadian prospects for development. No longer is Canada considered a narrow 150 mile-wide strip along the U. S. northern border. Moreover it is now realized, that the area between the previously conceived northern limit for human habitation and the distant actual border on the shores of the Arctic Ocean and Hudson Bay, is the land of the future. The greatest asset within this colossal expanse of virgin territory is that fabulous freak of nature — the Canadian Pre-Camrian Shield with its incalculable wealth of minerals, forests and sources of hydroelectric power, in addition the fertile soil of the Peace River district and the rich valleys of Northern British Columbia afford ample scope for agricultural settlement. In Northern Alberta, Northern British Columbia, and the Northwest Territories there are also known vast deposits of coal and oil.

The Alaskan Highway has already linked a part of this area to the outposts of civilization and the present plans for the development of Alaska will give further impetus to northward penetration. Before long it is inevitable that Alaska will be connected with this country by railroad that will have to pass through Canadian territory. It is also to be envisaged that the northern terminus of the Northern Alberta Railway at Waterways, Alberta will ultimately be extended to the new mining district of Yellowknife in the Northwest Territories.

With the rolling back of Canada's northern border and the inevitable further important discoveries of mineral riches in the vast treasure-house constituted by the Pre-Cambrian Shield, the Dominion's current problems of population and capital requirements will be automatically solved. Within the next few decades a new Northern Empire will be in the process of dynamic growth that will mark a new and vital epoch in North American progress.

During the week the external section of the bond market weakened slightly from its recent peak levels. The internals also declined in spite of the firmness of free funds. This divergence of tendency can be ascribed to the dearth of offerings of registered against unregistered bonds, but at present prices the internal Dominions should soon attract renewed investment interest. Stocks were irregularly lower although there was still good demand for the base-metals, oil, and paper issues. The junior golds also received increased support as it is now realized that the government subsidies will give important relief to the new and the marginal mines. Consolidated Mining and Smelting stock registered a new high following the announcement of the record extra dividend and the suspension of the U. S. import duty on lead, and C.P.R. common strengthened in sympathy, International Nickel was also in demand possibly in anticipation of similar action in the case of nickel.

N. A. Mitchell Joins Harrison & Company

TORONTO, ONT., CANADA—N. A. Mitchell has joined Harrison & Co., Ltd., 66 King Street West, as Manager of the Wholesale Department. Mr. Mitchell has been in the investment business for over 20 years, having been the head of his firm for over 12 years in London, Ontario. During the war Mr. Mitchell joined the Royal Canadian Air Force and served overseas in Operational Stations in the Bomber Command. On his return to Canada, he was Senior Administration Officer of the No. 6 Repair Depot R. C. A. F. Trenton. At the end of the war, he retired with the rank of Squadron Leader.

N. A. Mitchell

Western Pa. IBA to Hold Outing June 25

PITTSBURGH, PA.—The Western Pennsylvania Group of the Investment Bankers Association will hold their outing at the Rolling Rock Club on June 25.

Morgan & Tomes to Admit Welsh

Morgan & Tomes, 50 Broadway, New York City, members of the New York Stock Exchange, will admit Stanley G. Welsh, Exchange member, to partnership in the firm on June 25. Mr. Welsh has been active as an individual floor broker.

Canadian Investment Bankers Stress Personnel Training

At the Convention of the Investment Dealers' Association of Canada, held in the Manior Richelieu, Murray Bay, Que., Canada, June 12-16, the importance of education and training of investment personnel was pointed out by Peter Kilburn, of Greenshields & Co., of Montreal, and H. L. Gassard, the Director of Education of the Association. In a paper read to the Association, Mr. Kilburn


Peter Kilburn H. L. Gassard

praised the work being done and the accomplishments of the educational program through the appointment of Mr. Gassard as a full time paid Director of Education.

"You will, I think, agree that the year just past was one of accomplishment in I. D. A. education," Mr. Kilburn stated. "Training of personnel within our own ranks is off to a good start and the ultimate goal of establishing first-class practical courses on investment banking in universities across Canada is at least in sight.

"When that is done we shall have a bridge into the territory where, in my opinion, our biggest and most important job of education lies. That territory is occupied by young Canadians in public schools, high schools and colleges in our nine provinces, who continuously replenish the body politic as they become old enough to vote. If the case for free enterprise is at least as well presented to them as the case for Socialism or Communism or something else, the chances are they will understand and support and strengthen our business system. If not, they may in a few years be working against us. I used to consider these things academic and remote because they are hard to come to grips with, but it becomes more and more apparent that they are real and close at hand. For the sake of illustration, consider what would happen if all students now at Canadian schools and colleges were to embrace Communism tomorrow. Through their votes and influence they would control the country in short order.

"Our bridge can lead us to the teachers and students in schools and colleges where, in company with others whose interests march with ours, we can see to it that a fair and decent story is told of free enterprise and something taught about its machinery and its opportunities. Even if we decided wholeheartedly on such a policy today it could not be made effective for several years. That is all the more reason not to delay, because in a few years' time the refreshing political support of the younger generation might prove to be valuable indeed.

"I think we will be no more than shrewd businessmen if we recognize the need for able aggressive work in making a case for free enterprise to young Canadians in order to safeguard what we know is good. In that direction, in my opinion, lies the next and most important phase of our educational program."

In his first report to the Association, covering the period from Nov. 1, 1947, Mr. Gassard outlined the program for elementary and advanced courses of personnel training.

"It is reasonable to expect two years hence our program will be complete," Mr. Gassard stated, "through at least one revision and that we will then be in a position to approach Canadian universities with a view to their making use of the material which we have developed. In this way we hope that the thousands of young men and women who graduate each year will carry with them a better understanding of Canadian finance and the function of the Investment Dealer.

"In similar fashion, contacts are being made with provincial Departments of Education with the ultimate goal that high school teachers across the country will possess a better understanding of how our enterprise capitalism operates and be able to pass on their knowledge to their pupils.

"I have spoken informally to teachers' groups and have addressed the Ontario Educational Association during its Easter meetings this year. These contacts with teachers I consider important and I will be pleased if members could arrange for me to speak to teachers on my work with the IDA and the benefits to be obtained from contacts between educators and businessmen.

"I came to my work with this Association with the belief that there is a great need for a better interpretation to our young people of how our way of life operates. My experience of the past months, and the friendly and sustained support I have received from members of this Association, convinces me that there is a widespread and a growing understanding of this need for interpretation among Investment Dealers.

"I feel that our work is a significant phase of the movement of business to interpret itself to the public. This is a development which should result in a more prosperous and stable economy.

"The Hon. Lester B. Pearson, Under Secretary of State for External Affairs, speaking at the McMaster University convocation, last month, said: 'Every university student today, should be assisted and encouraged to think straight on the social, political and economic issues of the day. Straight thinking on these is the growing necessity of our times.' I believe that the program of education now being actively advanced by the Investment Dealers' Association will assist to achieve this straight thinking by our young people."

Getting Capital for Small Business

By TREVOR F. MOORE*

Vice-President & Director, McLeod, Young, Weir & Co., Ltd., Toronto

Pointing out basic financial problem of small companies is obtaining permanent capital, Mr. Moore calls attention to movements in Britain, U. S. and Canada to supply credit of this kind. Says source of venture capital should come from private enterprise and in initial stage cannot be supplied by investment dealers or through underwriting. Sees high taxes handicapping investment of venture capital and recommends abandonment of double taxation of dividends. Says business should be allowed to carry forward losses for five years.

The success or failure of a business rests upon the ability of its management to conduct the enterprise with profit. All large businesses were originally small ones. Hundreds of new businesses are incorporated in Canada each year and the majority fail because of poor management. But, the health of small-scale enterprise, the opportunity for every Canadian to establish his own business, and the maintenance of economic conditions which will permit such business to grow and prosper is essential to the preservation of our free society.

Trevor F. Moore

According to latest statistics provided by the Dominion Bureau, there are some 29,050 business employers in Canada. Included in this number are 27,080 establishments employing less than 100 workers. This last group of relatively small businesses accounts in the aggregate for 30% of the total business employment in Canada.

The basic financial problem of small companies is that of permanent capital rather than that of short-term credit. In Great Britain a partial solution to this problem may have been found through such corporations as Industrial & Commercial Finance Corp., government approved, but controlled by its own Board of Directors and operating on a commercial basis. "The main object of the corporation is to provide credit and finance by means of loans or the subscription of loan or share capital or otherwise for industrial and commercial businesses or enterprises in Great Britain, particularly in cases where the existing facilities provided by banking institutions and the Stock Exchange are not readily or easily available. The corporation, whose usual limits are minimum £$5,000 and maximum £200,000, normally deals with established businesses, but it is prepared to consider proposals from new enterprises provided a reasonable proportion of the total finance is found by the promoters. The corporation has provided facilities in each or in a combination of the following forms: secured loans and debentures, unsecured loans, redeemable preference shares, participating preference shares and ordinary shares. The corporation always endeavors to provide finance in the form that is most suitable to the needs of the applicant."

The capital of Industrial & Commercial Finance Corp. Ltd., amounting to £15,000,000, is provided entirely by the English clearing banks, the Scottish banks and the Bank of England, and the shareholding banks have agreed to provide further capital by way of loans.

Another company of a similar type is The Finance Corporation for Industry Ltd. with a capital of £25,000,000 subscribed roughly one-third by insurance companies, one-third by trust companies and one-third by the Bank of England. This board has power to borrow up to an additional £100,000,000.

There are also investment trusts like the Charterhouse Group. A subsidiary of this trust is the Charterhouse Industrial Development Co. Ltd., which is prepared to subscribe capital out of its own resources in the case of businesses already established on a commercial basis, having a satisfactory three-year record of business trading and continuing management.

Turning to the United States, we find the Reconstruction Finance Corporation, government sponsored, government approved, providing capital for small businesses. It should be added, however, that the protective features of such advances, the restrictions and controls of salaries and wages, accounts receivable, etc., might be considered rather onerous by most small business owners.

There are, of course, in the United States as in most countries, private groups, foundations and management companies which will buy into established promising young firms and occasionally will sponsor financially an entirely new business venture.

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*An address by Mr. Moore at 32nd Annual Convention of the Investment Dealers' Association of Canada, Manoir Richelieu, Quebec Province, Canada, June 15, 1948.

Improving Professional Status of Investment Dealers

By JOHN B. RIDLEY*

Director, A. E. Ames & Co., Ltd., Toronto

Canadian investment banker calls attention to growing responsibilities of investment bankers which tend to give them professional status. Lauds performance of investment dealers in underwriting, trading, advisory and analytical functions, but points out their income is becoming too speculative, and reasonable profit margins should be demanded.

In discussing a subject of such a general nature there is plenty of scope for differences of opinion as to both the topic itself and any conclusions expressed. This paper of necessity must set certain arbitrary boundaries and express some conclusions, which it is hoped will stimulate thinking and orderly debate either now or later.

J. B. Ridley

Let us accept one meaning the Oxford English Dictionary gives for "professional," namely, "skilled in the contemplative or scientific parts of a trade; that raises his trade to the dignity of a profession." The same authority states that a profession is "a vocation in which a professed knowledge of some department of learning is used in its application to the affairs of others or in the practice of an art founded on it."

The important question is this—can the Investment Dealer "trade" profess the required knowledge, skill and dignity in the handling of its own affairs and those of others?

Those vocations now generally regarded as professions deal only in knowledge and skill with the dignity associated with professions over the years. Does the Investment Dealer's function of buying and selling securities—acting as a merchant—detract from his professional status? Certainly not necessarily, but it has its pitfalls.

Rule of Investment Dealers' Association

The Investment Dealers' Association, through its Constitution, By-laws and Regulations, appears to be performing its part admirably. Under vigorous and thoughtful leadership and within a reasonably flexible framework, objectives, qualifications of membership and standards of practice have been evolved for the guidance and protection of its members. In addition, wisdom has suggested that the leadership of the Association should not detract from the members' right to display individual initiative and enterprise.

The Constitution states the Investment Dealers' Association's first objective is "To promote the general welfare and influence of investment dealers, financial institutions and investors generally interested in Government, Municipal and other corporation securities and to safeguard and better provide for their protection." The By-laws with respect to discipline whereby members may be reprimanded, fined, suspended or expelled for their own conduct or that of their business; with respect to audit provisions insisting on proper and regular reports on assets and liabilities, a minimum capital and segregation of clients' assets; with respect to insurance whereby minimum amounts of insurance must be carried for the protection of members and their clients, all assist in beneficially standardizing the investment industry.

The regulations and practices further detail important rules of procedure for the benefit of all concerned.

The Investment Dealers' Association of Canada has exhibited that it can and will perform its proper functions. What about the individual members? An examination of the Investment Dealers' functions should help to give an answer.

(1) **Underwriting**—To provide the vast sums required by modern Governmental and Corporation organizations through the sale of new securities;

(2) **Trading**—To provide a continuing market for investors through buying from and selling to the public outstanding securities;

(3) **Advisory**—To counsel all issuers of securities and take a continuing interest in their efforts to assure availability of sound investments;

(4) **Statistical and Analytical**—To assist the proper employment of savings through having available sufficient accurate information on which to base an honest opinion concerning individual securities and sufficient knowledge of and experience with investment and financial principles to report beneficially on the complete security holdings of clients with reliability and dignity.

The performance of the Investment Dealers in Canada with respect to all four points recently has been creditable indeed. Certainly no other industry excelled its efforts in war finance—Canadian Victory Loan campaigns are history. In the strenuous period since the war the maintaining of an orderly market while caring for the great capital needs of industry and local governments is exemplary.

Investment Dealer's Responsibility

However, some concern might be expressed with regard to the fourth point referred to above. In earlier days all the so-called bond salesmen usually called on the same relatively few investors and did their best to sell individual securities. The investor therefore made his own decision and rightly should have shouldered the onus of the results. The complexities of modern business, the necessity of being familiar with changing income tax and inheritance tax laws, foreign exchange control regulations, etc., and perhaps the realization that it should be in their own best interests, have driven many private investors to confine their dealings to one or at least a very few Investment Dealers. This more intimate association places the dealer in a much more responsible position. Indeed in the instances where the client makes a practice of following his advice, the Investment Dealer is not far removed from a position of trusteeship. There may be some dealers who are not aware of this change of events. It is hoped that in all such instances they will give serious regard to this added responsibility.

Two other possible pitfalls or dangers should be referred to, namely, margin of profit and high taxes. The dealers' margin of profit is becoming dangerously low, partly through increased expenses and partly through strenuous competition. The results may be that some dealers are tempted to stray into too speculative risks for their own good and, unfortunately, to the ultimate detriment of their clients. Their profit be-

(Continued on page 27)

*A paper read by Mr. Ridley at the Forum Session of the Investment Dealers' Association of Canada, Murray Bay, Quebec, Canada, June 15, 1948.

Investment Dealers Association of Canada Holds Annual Meeting June 12-16; Elects Ryan Pres.

Gerald G. Ryan, President of L. G. Beaubien & Co., Ltd., Montreal, was elected President of the Investment Dealers Association of Canada for the year 1948-1949 at the organization's annual meeting at Manoir Richelieu, Quebec. Mr. Ryan succeeds James A. Gairdner, Gairdner & Company, Ltd., Toronto.

Gerald G. Ryan

New Vice-Presidents of the Association and Chairmen of the six districts are:

Pacific District: W. J. Borrie, Pemberton & Son Vancouver Limited, Vancouver.

Alberta District: C. S. Robinson, Osler, Hammond & Nanton Limited, Calgary.

Western District: Ross Murray, A. E. Ames & Co. Ltd., Toronto. peg.

Central District: J. B. Ridley, A. E. Ames & Co. Ltd., Toronto.

Eastern District: R. H. Dean, Nesbitt, Thomson & Company Limited, Montreal.

Maritime District: F. C. Fisher, Eastern Securities Company Limited, Saint John.

Personnel of the new General Executive Committee for 1948-1949 are:

PACIFIC DISTRICT

BORRIE, W. J. (Chairman), Pemberton & Son Vancouver Ltd., Vancouver.
WHITTALL, N. R., Ross Whittall Limited, Vancouver.
MAIN, I. D., Dominion Securities Corpn. Ltd., Vancouver.
HAGAR, J. D., Hagar Investments Limited, Victoria.
SAMIS, B. C., Samis & Co. Limited, Vancouver.
BROWN, Col. A. M., Oldum Brown Investments Ltd., Vancouver.
GLASGOW, F. L., Royal Securities Corpn. Limited, Vancouver.
DUNCAN, J. L. (Secretary), Wood, Gundy & Company Limited, Vancouver.

ALBERTA DISTRICT

ROBINSON, C. S. (Chairman), Osler, Hammond & Nanton Limited, Calgary.
FARNSWORTH, H. R., Royal Securities Corpn. Limited, Calgary.
YORATH, E. J., Carlile & McCarthy Ltd., Calgary.
PHIPPS, S. B., James Richardson & Sons, Calgary.
DUGGAN, K. M., D. M. Duggan Investments Limited, Edmonton.
SYDIE, J. E., Sydie, Sutherland & Driscoll Ltd., Edmonton.
MORGAN, R. H., Wood, Gundy & Company Limited, Edmonton.
BROOKES, R. B. (Hon. Secretary), Royal Securities Corp. Limited, Calgary.

WESTERN DISTRICT

MURRAY, J. Ross (Chairman), A. E. Ames & Co. Limited, Winnipeg.
GRAY, R. A., James Richardson & Sons, Winnipeg.

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Public Utility Securities

Pacific Gas & Electric

Pacific Gas & Electric was incorporated in 1905 and has paid dividends continuously since 1919. The company is the second largest operating utility (Consolidated Edison of New York being first). The stability of common stock earnings and dividends has been phenomenal, as indicated by the following record:

Year—	Rev.(mill.)	Earned	Paid	Approx. Range
1947	$184	$2.45	$2.00	48-35
1946	168	2.72	2.00	48-37
1945	160	2.16	2.00	46-34
1944	152	2.18	2.00	35-30
1943	139	2.23	2.00	32-23
1942	127	2.21	2.00	24-16
1941	115	2.31	2.00	29-17
1940	110	2.68	2.00	35-25
1939	107	2.84	2.00	35-28
1938	101	2.48	2.00	30-23
1937	100	2.71	2.00	38-22
1936	95	2.55	1.50	41-31
1935	92	2.67	1.50	32-13
1934	88	2.50	1.50	24-13
1933	85	1.48	1.88	32-15
1932	85	2.09	2.00	37-17
1931	88	2.72	2.00	55-30
1930	77	2.62	2.00	75-41
1929	64	2.85	2.00	99-42

Why is this perfect "growth" company, whose sales have almost tripled since 1929, now earning less per share for the common stock than two decades ago?

The answer is much the same as for all the utilities—the company has given back to consumers (and to the U. S. Government in taxes) virtually all the advantages obtained from this growth. In common with other Pacific Coast companies, the company's residential kwh. rates average well below the national average (2.61¢ vs. 3.08¢). Stockholders are getting the same dividend rate as in 1929, but with less protection in share earnings. During the period 1929-47 the operating ratio has risen from 60% to 81%, so that net income increased only from $16 million to $25 million. To take care of acquisitions and construction, as well as to maintain a balanced capital structure, the company has doubled the amount of common stock since 1929.

The company's revenues are about 69% electric and 31% natural gas. It generates about four-fifths of its electric requirements, about 55% of its own power being hydro. Natural gas is obtained from California fields, but this supply is now being supplemented by gas from Texas (via El Paso's pipe line and other California companies).

Giving effect to the pending sale of 1,000,000 shares of 1st preferred stock ($25 par), as well as the sale of common stock earlier this year and the issuance of about $75 million bonds last fall, capitalization is as follows:

	Millions
Mortgage debt	$400
Preferred stock	170
Common stock & surplus	247
	$817

Due to rapid growth in its territory the company has undertaken a tremendous expansion program — an estimated $544 million for the period 1946-51 ($44 million was spent in 1946 and $100 million last year). However, because of financing already effected (including the sale of preferred stock on June 30) as well as cash available from depreciation, surplus earnings, etc. only about a quarter of a billion dollars will have to be raised over the next 3½ years. There is no indication yet as to how this will be done, but presumably the company will stick to its three-way program so as to keep a well-balanced setup. Currently, capitalization is 49% debt, 21% preferred stock and 30% common stock equity; if plant account were to be adjusted to an original cost basis, however, the ratios would approximate 53%, 22% and 25%. Potential write-offs are estimated at $55 million.

The company was handicapped in 1947 and early 1948 by a severe drought which threw a heavy burden on steam generating equipment. This situation has been relieved and storage reservoirs are now practically full, it is understood, presumably insuring some fuel economies for the balance of 1948.

Butler, Herrick Co. Celebrates 50 Years

The New York Stock Exchange firm of Butler, Herrick & Marshall, 30 Broad Street, New York City, on June 23 celebrated the 50th anniversary of the formation of the original partnership, George P. Butler & Bro., of which it is the successor.

Arthur W. Butler, limited partner in the present firm, was the floor member of George P. Butler & Bro., joining the Exchange on June 23, 1898. He later was one of its governors. On the death of his brother in 1911 he succeeded the latter as President of the Albany & Susquehanna RR., now owned by the Delaware & Hudson, holding the post for 30 years. His nephew, Andrew R. Butler, also a member of the firm, then became President.

During the early days of the century, the firm was closely associated with George Gould. Edward D. Adams, Marsden J. Perry and other prominent financiers of that day and took an active part in the financing and reorganization of railroad and industrial companies. Among the reorganizations in which members of the firm participated was that of the Allis-Chalmers Co. in 1913, when the name was changed to Allis-Chalmers Manufacturing Co. Arthur W. Butler has served continuously as a directer of the company from the time of its reorganization.

Thirteen of Butler, Herrick & Marshall's employees have been with the firm over 15 years. One of these has been associated with it for 47 years, one for 37 years and three from 30 to 32 years.

The present members of the firm are Charles H. Marshall, Pierpont Adams, Andrew R. Butler, J. Edwin Taylor, Arthur W. Butler and Charles F. Coaney, the latter two limited partners.

The firm will admit William F. Haneman to partnership on July 1.

Shields & Co. to Admit

Milton Watkins will become a partner in Shields & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, on July 1.

Program for Field Day Of Milwaukee Bd. Club

MILWAUKEE, WIS.—The Milwaukee Bond Club will hold its annual field day and picnic on June 25 at the Merrill Hills Country Club, Waukesha. Rolland A. Barnum, Merrill Lynch, Pierce, Fenner & Beane, is general chairman.

A special feature of the day will be a golf tournament which will tee off at 2 p. m. (greens fee $2). Events in the tourney will be for individual championship—First Wisconsin National Bank Cup for low gross; team championship—Puelicher Cup for low gross for two-man team; team championship—Ames, Emerich & Co. Cup for low net for two-man team (2 prizes); special handicap—H. M. Byllesby & Co. Cup (1-15 inclusive)—2 prizes; E. J. Furlong Cup (16-30 inclusive) — 2 prizes, and Mid-Western Banker Cup (30-45 inclusive) — 2 prizes; Blind Bogey—Wisconsin Electric Power Co. Cup (75-90)—2 prizes; Special Guest Events—low gross (1 prize); low net (1 prize); high gross (1 prize); Putting—Laas Cup—least number of putts (2 prizes); nearest pin, hole No. 12—2 prizes; longest drive on hole No. 1 — 2 prizes; largest number of one-putt greens—1 prize; highest gross score—2 prizes; Milwaukee-Chicago championship—Fuller, Cruttenden & Co. Cup (four-man team—prizes for first place (4 prizes).

Members of the Golf committee are Walter O. Berge, Walter O. Berge & Co., Chairman, and William C. Davis, A. G. Becker & Co.

There will be horseshoe pitching at 2:30 p. m. Erwin G. Schleiger, Central Republic Co., is Chairman of this committee.

A special event will also be held under the direction of William C. Elwell, Lowei & Co., and Charles F. Jacobson, Riley & Co.

A bridge tournament will be held during the afternoon under the direction of Ewald U. Klumb, Mason, Moran & Co., chairman.

A baseball game will be played at 3 p. m.—brokers vs. dealers. Members of the committee are: Albert R. Meyers, Harris, Upham & Co., chairman; Robt. W. Haack, Robert W. Baird & Co., Inc. (captain of brokers); Leroy W. Grossman. Marine National Exchange Bank (captain of dealers); Harold H. Emch, A. C. Allyn & Co. (umpire); and W. Brock Fuller, Paine, Webber, Jackson & Curtis (scorekeeper).

Other committees are: Prizes, M. N. Basing, Gardner F. Dalton & Co., chairman, and N. Sanderson MacRury, Merrill Lynch, Pierce, Fenner & Beane; Entertainment; Robert H. O'Keefe, The Marshall Company, chairman; Publicity: Howard W. Clark, Mid-Western Banker, chairman; Thos. L. Mosher, The Milwaukee Co., and Ralph Rada, Paine, Webber, Jackson & Curtis.

W. V. Raynor Forming Own Co. in Omaha

OMAHA, NEB.—Walter V. Raynor has formed Walter V. Raynor Co. with offices in the First National Bank Building, to conduct a business in investment securities. Mr. Raynor was formerly manger of the municipal department for John M. Douglas & Co., Inc. Prior thereto he had been an officer of Robert E. Schweser Co. and in the past headed his own firm in Omaha.

Troup & Co. Admitting

CHICAGO, ILL.—William Rothbart will become a partner in Clarence G. Troup & Co., 231 South La Salle Street, members of the New York and Chicago Stock Exchanges, on July 1. Mr. Rothbart has been associated with the firm for some time.

Securities Salesman's Corner

By JOHN DUTTON

As we go through life experience teaches us many things—if we have the wisdom to learn from our own mistakes. But when we are able to learn from others we can save ourselves a great deal of time and trouble. The main purpose of life, it has been said, is to find out how to live. When we let people talk (providing they have something to say) that is when we the listeners are the gainers.

I spent the weekend at an outing given by a club to which I belong. Saturday night there was a floor show and several very excellent entertainers provided the amusement. The last man on the bill was a headliner who is now one of the top men in his field of monologues. He followed another comedian who also gave impressions, but his style was rough and ribald and it went over with the crowd. When he got through with his act his audience was pitched up to a high degree of intensity and their laughter had been loud and voluminous. Then this big star came up on the stage. He let his audience down easily and gently. He took them off their high pitch of enthusiasm. He spoke softly—he mentioned some of the members of the Club that deserved the appreciation of the other members for the work they accomplished in giving this successful affair. He eased into his act slowly and with hardly anyone noticing what he was doing. When he got the crowd comfortably back in their chairs he started to reach for a few chuckles. Then smiles began to wreathe the faces of his audience. He played on that group of about three hundred people like a master musician upon an instrument. Then when he had established HIS MOOD he went to work. The applause grew and grew as each part of his act unfolded. When he finished the entire room was on its feet. I had the pleasure of driving him into New York the next day and I asked him about the things which I have related to you. He said, "I had to bring them down again. If I went right into my own routine after following the other act it would have been necessary to have been louder and funnier than the other comedian. But he became a perfect backdrop for my type of humor providing I set the stage for my own act. Timing is so important in handling an audience. You have to get the feel of it first—then go on with your show."

The reason I think this little story is important is that it illustrates the importance of salesmanship in every field. Here was a man who had gone to the very top of his profession. He told me that it was always ahead of him. He studied his own act in the light of his knowledge of people. He told me he constantly listens and watches the reactions of individuals. Knowing when to turn on your act is as important as what you turn on, in selling, as in show business.

And then I listened to another headliner in his own right. A man who was one of the greatest builders in New York City sat and talked with me for over an hour. He told me of his struggles and some of his mistakes. He told me of the time eight years ago, when for two days he hovered between life and death, and he made the greatest fight of his life in order to live. And after that he spoke of his recuperation back to health and that it came upon him at that time, that if he was to get well, that as far as possible within his own power, to command, HE WOULD NOT WORRY AGAIN. His sickness came from a combination of worry and overstrain. He was so run down that disease overtook him. He said to me, "I vowed that if I ever got well again, no matter if some day my wife and I might have to live in one room, I wouldn't worry." He doesn't have to do that. He is today one of the most successful builders in this country—but this also goes to prove that the biggest men have had the same cares and doubts that all the rest of us have experienced—and it takes a big man to admit it.

So we live and learn—there is education in listening—and success comes to those who put to good use the lessons they learn. If those of us who make a living selling could remember this lesson in timing that I learned from the actor—and the greatest lesson of all that I garnered from my friend the builder, that the most futile thing in the world is WORRY—it would improve our sales ability, our health and happiness, and our bank accounts.

E. F. Hutton Opens Modernized B'd Room

E. F. Hutton & Company, 61 Broadway, New York City, members of the New York Stock Exchange, opened June 21 its completely new and modern Customers' Board Room on the 11th floor of the firm's main offices.

Sound - proofed, fluorescent-lighted and well ventilated, the Customer's Room has extensive electric Quotation Boards covering leading stocks and commodities, Stock and Curb Exchange Translux tickers, Dow-Jones news ticker and many other facilities for the convenience of clients.

The Board Room is a part of the firm's modernization and expansion program, which also includes new Wire and Order rooms, and Bookkeeping Department. The firm, which has occupied offices at 61 Broadway, for 34 years, has been serving investors since 1904.

Frank Wood Exec. V.-P. Of Burr & Co., Inc.

Burr & Co., Inc., 57 William Street, New York City, announces that Frank A. Wood has been elected Executive Vice-President of the firm. Mr. Wood was formerly Vice-President of Otis & Co. in charge of the New York office.

The Crisis in American Life

(Continued from page 11)

remaining untaxed income above that level were completely confiscated, the take would provide only 2½% of the budget.

There are other warning signs. Our reputed prosperity has begun to walk on two stilts: one is the forced draft of exporting more than our surplus through relief; the other is a great armament program. We cannot go higher on these stilts, or we will break a leg getting down.

We should have no illusions. To the devastating Four Horsemen of the Apolcalypse, modern civilization has added two more. They are high taxes and inflation. They are close by.

Therefore, with full compassion for those nations in difficulties, certain matters in aid to them must be recognized on both sides of the world.

Our task is solely to aid their reconstruction. We can provide only bare necessities. There is no room for non-essentials, profligacy, or inefficiency.

We must not create a perpetual dependence of Europe and Asia upon us. We must not soften their preparedness to meet their own dangers. Otherwise our sacrifices will only undermine their self-reliance and the contribution they must make themselves toward the saving of Western Civilization.

We must insist that reconstruction of Western Europe be as a whole. That must include the restoration of the productivity of Germany, or Europe will die. We need neither forget nor condone Nazi guilt, but a free world must not poison its concepts of life by accepting malice and hatred as a guide. Otherwise, not only will our efforts fail, but the American taxpayer will be bled white supporting an idle and despairing German people.

And if we are to carry these burdens of relief and armament, we must have uninterrupted operation of the major tools of production and distribution among all the participating nations.

We in America must face the fact that no citizen, or group of citizens, in the Republic can assume the power to endanger not only the health and welfare of our own people, but freedom of the world, by halting or paralyzing the economic life of this nation. Such men have not been elected by the people to have such powers. Representative government must be master in its own house, or it will perish. We fought that battle out once with arrogant business men. We can no more have economic tyranny, if freedom is to live, than we can have political tyranny. There are other ways for determining economic justice than war on our people.

The Battle for Freedom at Home

Nor does the battle for freedom all lie beyond our borders. We also have been infected with the European intermittent fever of creeping totalitarianism. It has been a mingling of germs from Karl Marx and Mussolini, with cheers from the Communists. This collectivism has slowly inserted its tentacles into our labor unions, our universities, our intelligentsia, and our Government.

Our difficulty lies not so much with obnoxious Communists in our midst as with the fuzzy-minded people who think we can have totalitarian economics in the hands of bureaucracy, and at the same time have personal liberty for the people and representative government in the nation. Their confused thinking convinces them that they are liberals—but if they are liberals, they have liberalism without liberty. Nor are they middle-of-the-roaders as they claim to be: they are a half-way house to totalitarianism.

They should note that in every one of the countries of Europe where 400,000,000 people are now enslaved by the Communists, it has been the totalitarian liberals who provided the ladders upon which the Communist pirates have boarded the Ship of State.

The whole world was steadily moving along these collectivist roads until two years ago. Then in our Congressional elections, by their votes for both the Republican and Democratic candidates, the people showed the first turn from collectivism made by any important nation in recent years.

The 300-year-old roots of freedom in America showed their resistance to the collectivist blight. The influence of our rebirth of liberty has now echoed throughout the world. But the battle is still on.

The deep soil of these 300-year old roots is the spiritual concept that the right of man to freedom are personal to him from the Creator, not from the State. That is our point of departure from the others. This spiritual concept, whatever our faults may be, has guided our people to a life, not only of material abundance, but also a life of liberty and human dignity.

Today the American people have reached an historic stage which has come to a few strong nations in their ability to contribute to moral leadership in the world. Few such nations have come upon that task with so few liabilities. In these 30 years of wars we alone have taken no people's land; we have oppressed no race of man. We have faced all the world in friendship, with compassion, with a genuine love and helpfulness for our fellow men. In war, in peace, in disaster, we have aided those whom we believed to be in the right and to require our aid. At the end of wars, we have aided foe as well as ally; and in each instance, even the children of those who would do us hurt. We have hated war; we have loved peace.

What other nation has such a record?

The Responsibilities of This Convention

It is these concepts of your country that this Party must bear high as the banner of a marching army. From here free men and women can cheer free men and women the world over that the day is not done, that night has not come—that human liberty lives—and lives eternally here upon this continent, here among us.

Therefore, unusual responsibilities devolve upon this Convention. There may be some of you who believe that you have come here only to pass upon a platform, and to select candidates for President and Vice-President. Your greater task by far is to generate a spirit which will rekindle in every American a love not only for his country but for the American civilization. You are here to feed the reviving fires of spiritual fervor which once made the word, American, a stirring description of a man who lived and died for human liberty, who knew no private interest, no personal ambition, no popular acclaim, no advantage of pride or place which overshadows the burning love for the freedom of man.

Great as your problems are, they are no greater than Americans have met before your time. You are no less able or courageous than they were.

Therefore, I repeat, what you say and do here is of transcendent importance.

If you produce nothing but improvised platitudes, you will give no hope.

If you produce no leadership here, no virile fighter for the right, you will have done nothing of historic significance.

If you follow the counsel of those who believe that politics is only a game to be played for personal advantage, you are wasting your time and effort.

If you will calculate what will please this or that little segment of our population, and satisfy this or that pressure group or sectional interest, you will be betraying your opportunity, and tragically missing the call of your time.

If you temporize with collectivism you will stimulate its growth and the defeat of free men.

If, on the other hand, as a mature and inspired political party, you face the truth that we are in a critical battle to safeguard our nation and civilization which, under God, have brought to us a life of liberty, then you will be guided in every step to restore the foundations of faith, of morals, and of right thinking. If you choose your leadership with full recognition that only those can lead you who believe in your ideals, who seek not only victory but the opportunity to serve in the fight, then you will issue from this hall a clarion call, in as pure a note, in as full a tone as that call to arms which your political ancestors issued at Ripon, Wisconsin, when this party was born to make all men free.

And so I bespeak to you tonight to make yourselves worthy of the victory.

The Job of the Business Forecaster

(Continued from page 7)

of difficulty. Moreover, in the past, stock market strength has facilitated the floating of common stocks; in the present boom this kind of financing has been relatively infrequent.

(4) There is considerable concern about the exhaustion of consumer stocks of liquid assets and the lag of incomes behind price advances, although all that the statistics show is that the extraordinary excess of buying power above all past levels has been slightly reduced. Even after adjusting for the high costs of living, liquid assets of individuals are about double the 1939 level and consumer debt is still lower than it was before the war. In fact, as a percentage of current annual income it is only half as heavy as it was in 1920.

Factors of Strength

The position of consumers is, in fact, an element of strength, even though not quite such extraordinary strength as it was one or two years ago. The position of the farm population is extremely strong, with mortgage debt about half the level of the '20s, cash reserves very large, and farm prices high even by present-day standards. The fact that many consumers report expenditures in excess of income proves only that there is still a high propensity to consume.

A second element of strength in the current situation is the continuance of a backlog of demand for heavy durable goods which can be counted on pretty definitely for the next year or two, even if there should be some further slackening in other fields. In the field of consumer goods, demand for automobiles and for housing still outruns productive capacity, and in the markets for capital goods there is no prospect of supply ever catching up with demand for steel, railroad equipment, electrical power equipment, or telephone equipment, until prices come up into line with the general price level. Among the less durable items, capacity output of petroleum and probably of paper are so far short of demand that minor readjustments cannot seriously impair their sales prospects.

A third element of strength is the monetary and fiscal situation. This is admittedly inflationary. No deflation in history ever started in a cheap money period — although in 1937 the tightening was very moderate. The fact is that our economic machine works better in a period of inflation, especially the middle part of the period, than it does at any other time. This is clearly shown by the record of economic activity in 1947 as set forth in the recent Economic Report of the President. During the year 1947 employment was higher than ever before, and production was higher than ever in peacetime; housing units completed were nearly double the number in 1946; consumer expenditures broke all records, as did also private investment in plant, equipment, and inventories. Exports were at a maximum for all peacetime. Productivity was higher than in 1946, while government expenditures were lower.

The satisfactory elements in the situation, however, are overshadowed in public attention by the strong upward movement of prices and profits. The inflation is blamed for the fact that, statistically speaking, incomes appear to have lagged behind the cost of living during the last year and a half; the inflation does not get corresponding credit for the fact that they have gone up much more than the cost of living since the beginnings of the serious inflation in 1941.

There are two main sources of discontent with the inflation. One is the inequity involved in squeezing fixed-income people for the benefit of people with flexible incomes, which has nothing to do with the business outlook. Full employment does not require the triumph of justice. The other reason for the discontent with the inflation is the fear that it may be incubating a recession to be followed by serious depression. I shall not discuss this further than to say that the idea that the longer this inflation goes on the worse will be the next depression seems to me just a bit of superstition. If it had a sound basis that might be a good reason for hurrying up the coming of depression. However, the mere fact that depressions follow booms does not prove that the booms cause the depressions any more than the fact that booms follow depressions proves that the depressions cause booms.

What inevitably generates a slump is not just a price rise, but a speculative boom; that is, one in which the demand that makes the prices comes from people who will pay those prices only because they think they can resell before the boom is over. This kind of boom is viciously self-inflammatory because the rise in prices does not curtail demand but stimulates it. When this stage is reached prices cannot level off; too many holders will sell whenever they think prices have gone as high as they are going. Any price is too high from a speculator's standpoint unless he thinks it is going higher.

I do not believe we have any evidence that any considerable proportion of present prices are in the speculative zone, though admittedly speculation is easier to identify afterward than at the time it is going on.

We are financing the boom as we did the war, on extremely cheap money, cheaper even than in England where the spend-lend policy got its theoretical formulation. The Reserve System has committed itself to the maintenance of the 2½% yield on long-term government bonds, whether the budget is balanced or not. The chief traditional instrument of credit policy against excessive booms has been laid aside; a positive influence will be exercised if necessary to prevent that tightening of money markets which in the past has characterized the late stages of every industrial boom, because such a tightening would threaten stability of the bond market.

Finally, government expenditures are rising and government receipts have probably passed their peak until the next tax revision. The export boom bids fair to be more than replaced by the combination of our own military expenditures abroad and the ERP program.

Summary

To conclude, the economic prospect for the remainder of this year is for continuation of full employment, further increases in wages and profits, and continued shortages in heavy goods industries where expansion of capacity is difficult. The boom of the past two years has been based on a combination of high and rising money incomes, huge liquid savings, and physical shortages accumulated from the war and perpetuated by bottlenecks in capacity. Over a considerable range the physical shortages have been made up, and for many people incomes no longer permit the volume of luxury expenditure that was made during and just after the war. The transition from an acute sellers' market to competitive selling is bound to involve some downward readjustments both of prices and volume but we do not have to have acute shortages on top of inflation to have a boom. Prosperity has been spotty for the past year and will continue to be spotty unless the international situation changes radically. But spottiness is favorable to overall stability at a high income level.

Banking Group Sells Joy Mfg. Com. Stock

Hallgarten & Co. and R. W. Pressprich & Co. and associates on June 22 publicly offered, at $38.87½ a share, 51,500 shares of $1 par value common stock of Joy Manufacturing Co., one of the largest manufacturers of mining machinery and equipment for underground mines in the United States. The issue was oversubscribed.

The shares being offered are all outstanding and are being sold for the account of the Adams Express Co. and American International Corp. Of the total, 36,200 shares are being sold by Adams and 15,300 shares by American. Both Adams and American are selling these shares because they deemed their respective investments in the common stock of Joy Manufacturing Co. to be disproportionate to their other security holdings. No proceeds from this sale will accrue to the company.

Other members of the underwriting group are—Paul H. Davis & Co.; the First Boston Corporation; Lehman Brothers; Carl M. Loeb, Rhoades & Co.; Scott & Stringfellow; Shields & Co.; Singer, Deane & Scribner, and Smith, Barney & Co.

U. S. Budget Surplus Around $8 Billion

According to the Treasury records, indications are that for the fiscal year ending June 30, the Federal Budget will show a surplus of receipts over expenditures of approximately $8 billion. The revenues from income tax payments due June 15 are coming in at a heavy rate, but because of interest payments on the public debt, due June 30, the high record of a surplus of $7,997,771,000 reported on June 18, will probably be reduced to slightly more than $7½ billion—a record high, however, in the financial annals of the nation.

C. J. Devine Opens Washington Office

WASHINGTON, D. C.—C. J. Devine & Co., Inc., 48 Wall Street, New York City, announces the opening of a Washington office in the American Security Building. The firm, which specializes in Government securities and state and municipal bonds, now has offices in 10 cities.

William K. Hoagland

William K. Hoagland, who has been associated with C. J. Devine & Co., Inc., since 1934 with the exception of four years spent in the army, will be resident manager. Representing the firm in dealings with eastern and midwestern banks, he has been attached at various times to the New York, Boston, Philadelphia, Chicago and St. Louis offices.

During his army service, Mr. Hoagland participated in the Vosges Mountains campaign, where he received a battlefield promotion, the battle of Colmar, the breach of the Siegfried Line, the crossing of the Rhine and the march through Germany to Stuttgart. Enlisting as a private, he rose to a first lieutenancy.

$40,000,000 Delaware Memorial Bridge Bonds Placed on Market

Alex. Brown & Sons, Kidder, Peabody & Co., Harriman Ripley & Co., Inc., and Lehman Brothers jointly head an underwriting group of 121 members that offered publicly on June 22 an issue of $40,000,000 State of Delaware (The Delaware Memorial Bridge) 4% revenue bonds at 104⅝%, to yield about 3.76% to maturity.

The bonds are issued by the State of Delaware for the purpose of providing funds for the construction of the Delaware Memorial Bridge and the acquisition of certain ferries. They will constitute, in the opinion of counsel, valid and binding obligations of the State of Delaware, principal and interest being payable solely from revenues derived from operation of the Bridge and the Construction Fund. Interest is exempt from all Federal income taxes under existing statutes. The bonds and the interest thereon are exempt from all taxation within the State of Delaware, under the Acts authorizing their issuance.

At the option of the State Highway Department, the bonds are redeemable at 100¼ plus ¼ of 1% for each 12 months' period, or fraction thereof from the date of redemption and the date of maturity, but not exceeding 105%; for sinking fund purposes on any interest payment date on or after June 1, 1953, and in whole on any interest payment date on or after June 1, 1963, plus accrued interest in each case.

Reed-Bulwinkle Bill Passes Over Veto

On June 17, the House of Representatives, following action by the Senate the day previous, overrode President Truman's veto of the Reed-Bulwinkle Bill, which would exempt railroads, sleeping car companies, freight forwarders, carriers by water, pipe lines and motor vehicle transportation companies from anti-trust prosecution, arising out of rate agreements, when approved by the Interstate Commerce Commission.

The State of Trade and Industry

(Continued from page 5)

forth when the 80-day injunction wears out—if no settlement is made by that time. All this means that steel output is under an overhanging cloud that may turn into bad news at any time.

There is everything in the industrial picture this week to indicate that once again the crazy swirl of wage and price increases is on its way and it may not be long before the cry of a fourth round will be heard, the magazine notes.

For some reason the steel industry has been unable to get across to its public and its consumers (1) it is the victim in coal negotiations, because a shutdown of steel mills gives the mine workers the power they need, (2) the loss of steel because of strikes has cut deeply into steel output and repair and maintenance costs, and (3) at no time has the industry done anything but strive to its utmost to turn out as much steel as possible. If the wage-price cycle and the routine coal impasse continue much longer, the frustration among steel officials may be too much for even their rugged constitutions, the trade paper adds.

The general reaction of steel leaders to the proposed Federal Trade Commission cease and desist order is that they are still unalterably opposed to a change in the basing point method of selling steel.

They do concede that phantom freight—charges not actually incurred—may, and probably should, go out the window. But the main complaint was that they believed that sooner or later the Federal Trade Commission would rule absorption of freight illegal—a point not mentioned in the proposed order—unless it was on an individual basis. This, say steel sales people, is a physical impossibility, or at least would make absorbing freight so difficult that most steel firms would sell in their own backyard.

Still other steel producers were hard-set against the assumption that an f.o.b. mill system would help those customers far removed from the steel centers. All in all, it will be a bitter fight next year when the Federal Trade Commission tries once again to make the industry bow to reasoning which the Commission has been trying to put across for years, "The Iron Age" concludes.

The American Iron and Steel Institute announced on Monday of this week the operating rate of steel companies having 94% of the steel-making capacity of the industry will be 96.2% of capacity for the week beginning June 21, 1948, an increase of 0.2 point, or 0.2%, from last week. A month ago the indicated rate was 96.8%.

This week's operating rate is equivalent to 1,734,000 tons of steel ingots and castings as against 1,730,400 tons last week, 1,744,800 tons a month ago, 1,672,900 tons, or 95.6% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, the highest prewar year.

CAR LOADINGS UP 10.4% IN POST-HOLIDAY WEEK

Loadings for the week ended June 12, 1948, totaled 906,948 cars, according to the Association of American Railroads. This was an increase of 85,735 cars, or 10.4% above the preceding week, which included Memorial Day holiday, and 11,656 cars or 1.3% above the corresponding week in 1947. They also represent an increase of 39,030 cars or 4.5% above the same week in 1946.

ELECTRIC OUTPUT REACHES HIGHEST POINT SINCE WEEK ENDED MARCH 13

The amount of electrical energy distributed by the electric light and power industry for the week ended June 19 was 5,159,255,000 kwh., according to the Edison Electric Institute. This was an increase of 27,444,000 kwh. over the output in the preceding week, and was the highest production reported since that for the week ended March 13, 1948, when 5,284,641,000 kwh. were turned out. It was also 482,955,000 kwh., or 10.3%, higher than the figure reported for the week ended June 21, 1947, and was 1,030,092,000 kwh. in excess of the output reported for the corresponding period two years ago.

AUTO OUTPUT LOWER FOR WEEK BUT ABOVE 1947 LEVEL

Production of cars and trucks in the United States and Canada declined to 107,249 units from 109,831 (revised) units the previous week, according to "Ward's Automotive Reports."

Rising output by Ford, plus resumption of West Coast assemblies by Chrysler, offset most of General Motors 8,400 drop caused by the closing of its Michigan assembly plants.

Output a year ago was 102,545 units and, in the like week of 1941, it was 133,565 units.

This week's output consisted of 72,463 cars and 29,121 trucks made in the United States and 3,490 cars and 2,175 trucks made in Canada.

With outstate G. M. plants, including almost all Chevrolet assembly units, to be closed, volume this week probably will take a decided drop despite resumption of G. M.'s Michigan operations and expected gains by both Ford and Chrysler, "Ward's" stated.

BUSINESS FAILURES EASE SLIGHTLY IN WEEK

Commercial and industrial failures declined from 110 to 100 in the week ending June 17, Dun & Bradstreet, Inc. reports. While concerns failing exceeded the 70 occurring in the comparable week of 1947 and were four times as numerous as in 1946, they were only one-third as high as in pre-war 1939 when 310 businesses succumbed.

The decline from last week's level was entirely among failures involving liabilities of $5,000 or more which fell from 92 to 77 and compared with 61 in the corresponding week a year ago. Small failures with losses under $5,000 rose from 18 to 23, over twice the number failing last year.

Two-thirds of the week's casualties were concentrated in manufacturing and retailing.

FOOD PRICE INDEX RISES 1.0% IN WEEK

A continuing uptrend in food prices lifted the Dun & Bradstreet wholesale food price index for June 15 to $7.18, up 1.0% over $7.11 a week previous, and a rise of 15.1% above the $6.24 on the same date a year ago. The current figure marks the highest level for this index since Jan. 20 when it stood at $7.25; it is only 1.4% under the all-time high of $7.28 recorded on Jan. 13, last.

WHOLESALE COMMODITY AVERAGE ADVANCES MODESTLY IN WEEK

The wholesale price level edged slightly upward last week largely due to persistent strength in livestock markets. The Dun & Bradstreet daily wholesale commodity price index rose to 288.82 on June 15, from 286.25 a week previous. The current figure compares with 258.74 on the corresponding date a year ago.

Leading grain markets were unsettled last week with price movements irregular. Wheat prices were easier late in the week following the issuance of the June 1 government crop report that forecast yields of both winter and spring wheat at well above general expectations. In addition, there was some selling pressure based on good rains in northwestern spring wheat areas and also in Canada. Corn prices showed strength during most of the period but declined in late dealings as a result of rains over a large portion of the corn belt.

Trading in grain futures on the Chicago Board of Trade increased sharply for the week but remained considerably below a year ago.

Flour business showed a slight seasonal pick-up but transactions were still on a small lot basis for immediate needs. Shipping directions however, continued at a brisk pace, causing a steady reduction in flour backlogs. Lard prices held steady at a slightly lower level with trading fairly active aided by good commission house buying. Livestock values again moved higher as demand in the principal primary markets continued to outstrip supplies. Steers advanced $1.25 per hundredweight during the week; hogs gained 75 cents and lambs rose $2 per hundredweight. With the supply position still tight, the cocoa market continued firm with small offerings reported from primary markets.

Cotton prices moved within a narrow range during the past week. The trend in values was again mildly downward. Inquiries were less numerous and demand remained relatively quiet. In the 10 spot markets sales for the week were reported at 40,200 bales, as compared with 37,500 bales the previous week, and 33,300 bales in the same week a year ago.

A slight improvement was noted in domestic demand but mills continued to buy sparingly.

Export demand showed a little more activity with inquiries most for premium qualities in short supply.

Among the factors tending to depress prices were the delayed buying policy of the European Cooperation Administration and continued favorable weather and crop news from the cotton belt.

With few exceptions, progress and condition of the new crop was said to be good.

The downward trend in carded gray cotton cloth markets was again in evidence and buyers showed little inclination to purchase goods for forward delivery in view of the easiness in the raw cotton markets.

Trading in the Boston raw wool market was rather quiet the past week following the broad activity which featured trading in recent weeks, prior to the announcement of an upward adjustment in selling prices of CCC wools which went into effect on June 7. Wool prices in foreign primary markets continued strong and higher.

RETAIL AND WHOLESALE TRADE CONTINUES FAVORABLE SHOWING FOR WEEK AND YEAR

A spurt in gift buying for Father's Day boosted retail volume during the period ended on Wednesday of last week. Total dollar volume of consumer buying moderately exceeded that of both the preceding week and the corresponding week a year ago, Dun & Bradstreet, Inc. reports in its current survey of trade.

Promotional sales of seasonal merchandise continued to be frequent and slight reductions in the prices for some merchandise considerably stimulated the demand.

Requests for credit continued to be numerous and some stores held to the practice of inviting charge accounts.

Pre-Father's Day promotions of men's wear stimulated the buying of some gift items, but demand for coats and suits was generally sluggish. Summer cotton dresses and lingerie continued to sell well along with formal, graduation and wedding gowns. Jewelry was still among the more popular gift items and a slight increase in the demand for sport clothing and beachwear was noted.

Consumer buying of almost all foods remained at a very high level with some housewives refusing to pay the high prices for fresh meats, but the dollar volume was almost unchanged at the high level of recent weeks.

Meat and butter substitutes continued to sell well with demand large for fresh fish, poultry and frozen foods. Home canners purchased large stocks of fresh fruits and vegetables. Pre-Father's Day volume in liquor stores increased somewhat.

Retail volume for the country in the period ended on Wednesday of last week was estimated to be from 8 to 12% above that of the corresponding week a year ago.

Regional estimates exceeded those of a year ago by the following perecntages: New England 6 to 10, East 7 to 11, South 5 to 9, Middle West 8 to 12, Northwest 11 to 15, Southwest 12 to 16 and Pacific Coast 4 to 8.

Wholesale volume remained almost unchanged at the high level of the preceding week. While unit volume dropped off in some lines, the total dollar volume of wholesale trade moderately exceeded that of the corresponding week a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended June 12, 1948, increased by 1% from the like period of last year. This compared with a decrease of *4% in the preceding week. For the four weeks ended June 12, 1948, sales increased by 5% and for the year to date by 6%.

Retail trade in New York last week as a result of the advent of Father's Day and favorable shopping weather, exceeded the sales volume of the like week of last year by close to 20%, or the second largest gain in the year.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to June 12, 1948, increased 1% above the same period last year. This compared with a decrease of *8% in the preceding week. For the four weeks ended June 12, 1948, sales increased by 5% and for the year to date by 5%.

*In using year ago camparisons for the weeks ending June 5 and May 29 allowance should be made for the fact that in regions observing the Memorial Day holiday store closings this year occurred in the week ending June 5 whereas last year they occurred in the previous week.

Getting Capital for Small Business

(Continued from page 21)

Sources of Capital in Canada

In our own country, we find sources of capital for small businesses similar to sources in the United States, and in part only, perhaps, similar to Great Britain. First—the Industrial Development Bank, government sponsored and controlled as we know. A subsidiary of the Bank of Canda, the bank was established by Act of Parliament in 1944 to extend financial assistance to sound industrial enterprises which are unable to obtain their requirements from other sources on reasonable terms and conditions. It is intended to supplement, rather than compete with, the activities of the chartered banks and other lending organizations, and the bank advances chiefly medium and long-term capital.

It should be noted that the Industrial Development Bank in its annual report as at Sept. 30, 1947 discloses that credits up to $100,000 in amount have been advanced to 284 firms for a total of $7,909,962. It reveals total credits as at Sept. 30, 1947 numbering 322 for an amount of $19,758,537. The bank reports that the largest number of authorized credits have been in the $5,000 to $25,000 category. In the three years during which it has operated, the bank has authorized credits to 443 firms across Canada for a total amount of $26,735,809, or an average credit of $60,350 per firm.

A source of true venture capital in Canada specifically for the development of natural resources has been and continues to be exploration companies, mining and oil companies. We would go further and say that the personal savings, the capital of Canadian investors, in the past has been generous in its support of the development of natural resources. Why? There are two reasons: first, the fact that the reward when obtained is sufficiently worthwhile to attract capital; second, tax concessions now in effect in the form of complete exemption from taxes for new mineral mines for the first three years of operation, a cost aid plan or subsidy to gold mines and special depletion allowance. To the individual investor himself, concessions are made by the Income Tax Act with respect to dividends received from mineral and oil stocks.

In March of this year, Mr. Donald Gordon, Deputy Governor of the Bank of Canada, a director of the Industrial Development Bank and member of the executive committee, made this suggestion to the investment industry in Canada: "This country needs machinery through which risk capital can be raised within its own borders for the development of almost every phase of its economic activities. With modest exceptions, new risk capital for smaller enterprises cannot be found in Canada through the facilities of our investment dealers, and we need techniques to fill the gap. The government has provided some facilities through the establishment of the Industrial Development Bank, but there is still a need for the other type of thing and the lack of it is bound to become more and more noticeable."

Getting Venture Capital

Undoubtedly, this is a serious and sincere suggestion. Let us deal first with "the other type of thing"—which this paper would take to be venture capital in the strict sense of the word—initial capital to finance, sponsor and promote a business "idea." This country certainly wishes to encourage "ideas"—original thinking—a new product, a new service—all large businesses had a beginning—all were small at one time.

It is obvious that there is not in this country or in any country a sure and ready source for this initial, venture capital. Further, we do not think that this country should provide a sure and ready source. The businessman with a good idea in the form of a new product — a new service — must back his idea up with his own capital—with sufficient enthusiasm to persuade his own friends to back him—with months, probably years, of personal effort to prove that his idea is practical and will in time reward his efforts and the capital already advanced. Isn't this typical of free enterprise? At that stage in the development of the idea when some indication can be given of its probable success, of the initiative and resourcefulness of the management, of the amount of capital already supplied by the owner and his friends, the businessman, the owner, will find his additional capital. At that stage, even if an underwriting—an issue of securities—cannot be marketed, the investment dealer will put the owner of that business in touch with friends, wealthy clients who may be interested. Is it necessary to urge the members of this association to listen to the story of the small business owner? And, if the future of the company appears promising, the management aggressive and sincere, to do what he can to make this business into a larger business?

We mentioned in the preceding paragraph that an underwriting of securities in this comparatively new venture may not be possible. Why? Hundreds and hundreds of new businesses are incorporated each year. Most of them fail. It takes years for an investment dealer to build his reputation, and only one bad securities issue to shake it.

With respect then to the initial capital—the true venture capital—this paper concludes that there is no magic formula, and that the original sponsor of the "idea" will himself, and perhaps with his friends, continue to supply this original capital, although we are not willing to believe that Canadian investment dealers are ignoring any profitable and prudent investment opportunities in this connection.

Role of Investment Dealers

We will now explore the suggestion that new risk capital for smaller enterprises should be found in Canada through the facilities of investment dealers.

There are many investment firms, not the largest dealer organizations to be sure, but the small firms comprising two to four or five able investment men, which will supply capital of $100,000 to $400,000. During 1946 and 1947 at least 60 issues of securities were underwritten by investment dealers and involved amounts of $400,000 or less. The total of this smaller financing in these two years was over $17,000,000. Some risk financing was included. This small financing will continue—indeed the volume may well grow—but here again as in the case of the Industrial Development Bank, the financing should be extended to sound enterprises. The Investment dealer has two functions — two responsibilities — to provide the funds for industry, and, on the other hand, provide satisfactory investments for the investor. To undermine the confidence of the investor would be to destroy the whole purpose for bringing industry and the investor together—the whole purpose for which capital, savings, are accumulated.

Where Capital Comes From

Capital for the expansion of large or small businesses has always come from three sources—(1) profits of the company itself (2) banks, (3) investors. A study of Canada's industrial growth during the 30 years, 1900 to 1930, reveals that approximately 20% of total production has been ploughed back year after year in the form of investment. During this period productivity of labor was substantially increased as a result of the worker being given more and better machinery and tools with which to work. At the same time, labor's real wages—purchasing power—were likewise substantially increased. During the period 1930 to 1938, new capital was not readily available to industry. This is not to imply that lack of capital caused the depression of the '30s, but there is significance in the fact that during a period of capital deficiency there was no prosperity.

We are informed—and indeed agree—that the need at the present is for equity financing, stock investment. A combination of low interest rates and high corporation taxes has driven companies into senior financing where interest charges may be deducted from operating earnings before computing the corporate income tax.

A study of 709 business establishments by the Bank of Canada reveals that in 1946, taxes paid by these firms amounted to 45% of their net profits contrasted with 18% in the year 1936.

Equity capital should come from the retained earnings of corporations or from the savings of individuals with incomes exceeding $10,000 a year, who may be able and willing to take a chance with their money. But it is the incomes over $10,000 that are heavily taxed.

Effect of Taxes

If the small or large business, in which you invest by buying common shares, loses money, you and your fellow shareholders suffer and no one else. If the business makes money—the Federal Government takes 30% of the net and, in addition, the Governments of Ontario and Quebec collect 7%, with the remaining provinces collecting 5% if business is done within their jurisdiction. In other words, a total of 37% of the net is collected in taxes if the business is located in Ontario or Quebec. But that is not all—if this business pays out a portion of its remaining profits (after corporate income tax) in dividends to you as a shareholder, the government taxes you. You are that $10,000 or more a year individual who is counted upon to provide this very type of capital, and, in the $10,000 and higher income tax brackets, you can appreciate what is left net to you as a return from your risk investment after the individual income tax is deducted. Again, an extra 4% tax is added on that part of your investment income which exceeds $1,800 a year.

All of this surely means that few indeed will put money into new enterprise unless it is reasonably assured of profits at least 50% greater than would be required if there were no corporation income tax.

Taxation is affecting the supply of funds for investment. It is extremely important that Canadians take note of the fact that approximately 21% of the national income, that is, of the income of labor, the income from investments, the income of corporations —21%—goes to the Federal Government. Add to this figure the cost of operating provincial and municipal governments, and we find a staggering portion of our national income is now required to carry the expenses of government.

Risk capital, venture capital, will be forthcoming—and in volume—when one of these two—the tax on corporate profits, the tax on dividends received by individuals—is removed. If corporate profits were made non-taxable, it is obvious that there would have to be Dominion-Provincial agreements binding the provinces not to occupy the tax field vacated by the Dominion Government.

Recommendations

This paper concludes with the following recommendations and suggestions concerning capital for small businesses—

(1) Commercial bank credit should not be considered as a source of permanent capital for business. It is not the proper function of bank credit.

(2) There may be room in Canada for the type of British corporation described in earlier paragraphs—the capital of such corporation being subscribed by existing financial institutions, including investment dealer firms, investment trusts, insurance and trust companies and chartered banks.

(3) As a general rule, the machinery of the investment dealer industry cannot be expected to handle capital issues of small amounts—less than $100,000. Investment dealers are merchants of securities. Small issues of securities have limited markets, afford considerable risk and are costly to the company in need of capital.

(4) Double taxation, i.e., taxing of corporate profits and taxing of dividends in the hands of the investor, should be abandoned, in favor of one tax—the individual income tax. As a compromise, and with a view to aiding small companies, we suggest that the first $25,000 of net profits of all corporations be exempt from taxation, and that the tax (if retained) be then on a graduated scale. Our association should join with other bodies in protesting this double taxation and making constructive suggestions for the benefit of small and large businesses and the investor.

(5) Permit corporations to carry forward losses to apply against subsequent earnings for a period of five years. This would be of considerable assistance to new small businesses, which usually sustain losses for the first several years of their existence.

(6) Members of the investment industry should go out of their way (a) to make their experience in judging business risks available to small companies, (b) to bring together the owner of the small business and individuals or management companies which may provide the needed capital.

It is in no narrow spirit that this problem of providing venture capital to small businesses has been approached. It is in the national interest that small businesses should thrive and grow. These are the very core of the private enterprise system. The government may well take a lead from business management and provide incentives in the form of corporate tax elimination or reduction. It will do two things—increase investment of private funds in common stocks and stimulate business management to be still more effective. We, in Canada, need risk capital for healthy industry and healthy employment.

Canadian Investment Trends

(Continued from page 20)

of Reconstruction and Supply estimated will be spent in 1948 55% is assigned to business enterprises and the balance to housing and government projects. These corporate capital expenditures are divided in turn into 35% for new construction and 65% for new machinery and equipment. The $1½ billion which, it is estimated, will be spent in 1948 by business enterprises compares with $1,381 million in 1947, $823 million in 1946 and $516 million in 1945.

Sources of New Capital

Let us pose the question as to where the funds represented by this $1½ billion which, it is estimated, will be spent by business enterprises in 1948, are to come from.

Foremost among the sources of capital for business and industrial expansion is the corporation itself —through depreciation and retained earnings. A study of 709 Canadian companies made by the Bank of Canada shows that in 1946 $429 million of additional investment was made—65% in plant and equipment and 35% in increased inventories. Twenty-three percent of this investment was obtained from current earnings retained after the payment of dividends and 35% from depreciation for a total of 58% from what might be regarded as "internal" corporate sources—the balance mostly by use of working capital and from bank loans.

A second major source of capital for industrial expansion is, of course, provided through the issue in Canada of corporate bonds, debentures, preferred stock and common shares. However, in each of the 10 years ending in 1946 the total of corporate bonds outstanding in Canada diminished. In 1947, the trend was sharply reversed and new and refunding issues of a gross amount of $424 million produced a net increase in outstanding bonds of $85 million.

The actual result in the case of preferred and common stocks is not readily available but the trend has been to small net retirements of preferred stock while the total of common stock outstanding has advanced moderately.

The increase in new money financing by industry so far represents a minor fraction of its tremendous expenditure—a fraction far out of line with sound financial policy. I say to industrial management that this is no time to be extending your bank loans for purposes of expansion—it is no time to be using your working capital position for purposes of expansion. You have available to you a bond rate that is still within ½ of 1% in yield of an all-time low—a preferred share and an equity market that are reasonably attractive. Under such conditions industry would be well advised to finance as they go and keep their liquid position sound and available to deal with any contingency that may arise. Such action would also be a strong anti-inflation influence, resulting in the active employment of surplus funds of our citizens.

Sale of New Issues

The sale of new issues of bonds and stocks in Canada over the past few years has been accomplished almost entirely in the domestic investment market and under present Foreign Exchange Controls such must continue to be the case.

In all previous periods of capital expansion in Canada, we have had the benefit of a large supply of funds from external sources, namely England or the United States. Today we have only the United States to look to, and as a result of our Foreign Exchange policy this source is to all intents and purposes cut off due to the fact that funds in quantity will not flow into a country operating under controlled conditions—and so the third source of funds is temporarily, at least, dammed up.

Effect of Exchange Controls

And this brings us to the subject of much debate—the Foreign Exchange Control Board and its actions in recent years. One cannot help but feel that the Government action in adopting parity with the U. S. dollar in 1946 was dictated more by politics than economics and the same reason must be applied to their action last Fall in adopting import restrictions and excise taxes rather than reversing their former action and returning our funds to where they belong.

It is interesting to note that in 1945 we had a favorable balance

of $222,000,000 on our interflow of securities with U. S. and for the six months ending June, 1946, a balance in our favor of $141.5 million, but since the dollar returned to par in the following month the balance either way has been negligible. If our funds today were to be allowed to find a sound economic level relative to U. S. funds, it is not difficult to imagine that there would be a favorable flow of investment funds into Canada far exceeding any former period. Under present conditions such a balance would to a large degree pay for our imports for capital expansion purposes and the resultant development of our natural resources and industry would more than service the investment in years to come and help materially to place Canada on a self-sufficient basis in comparatively few years, and in the meantime the present embargoes, restrictions and excise taxes would be lifted and industrial enterprise unshackled.

Canada is a young and virile country with tremendous natural resources awaiting development—we have only three other needs—a supply of venture capital over and above what our own citizens can or will supply and which a change in our exchange policy can make available from our good neighbors to the south—additional population to increase our production and internal consumption. This country could absorb many thousands per year of carefully selected immigrants — the immigrants are ready and waiting—all that remains to be done is for our Government to adopt a sane and aggressive policy of selection and encouragement — and a realistic tax structure which would relieve the heavy burden on middle income brackets and which would eliminate to some degree double taxation on industrial earnings and dividends and thus encourage enterprise and the investment of venture capital.

With these four things—a realistic exchange rate and free movement of securities—a flow of capital from the United States—a sound immigration policy—and a revised tax structure — Canada need have no fear for years to come of a depression or over-inflation—the next quarter century is ours—no country in the world can offer the same advantages either for individual effort and initiative or investment of capital.

Investment Dealers Association of Canada Holds Annual Meeting June 12-16; Elects Ryan Pres.

(Continued from page 22)

GOWER, W. E., Melady, Sellers & Company Ltd., Winnipeg.
KNIGHT, D. N., Wood, Gundy & Company Limited, Winnipeg.
BULGIN, J. D., Dominion Securities Corpn. Ltd., Winnipeg.
BENHAM, H. A., Royal Securities Corpn. Limited, Winnipeg.
HOUSTON, W. M., Houston, Willoughby & Company Ltd., Regina.
AUSTIN, J. F., Nesbitt, Thomson & Company, Ltd., Winnipeg.
McCULLOCH, R. G., Osler, Hammond & Nanton, Limited, Winnipeg.

CENTRAL DISTRICT

RIDLEY, J. B. (Chairman), A. E. Ames & Co. Limited, Toronto.
CHRISTIE, J. H., R. A. Daly Co. Limited, Toronto.
GUNDY, C. L., Wood, Gundy & Company Limited, Toronto.
CORBETT, D. R., Royal Securities Corp., Limited, Toronto.
GERMAN, P. Barry, Greenshields & Co. Inc., Ottawa.
GUNN, N. H., Bell, Guoinlock & Company Limited, Toronto.
HARRIS, W. C., W. C. Harris & Co. Limited, Toronto.
BAWDEN, H. N., Dominion Securities Corpn. Limited, Toronto.
HOWARD, A. L., Anderson & Company, Toronto.
ISARD, C. E., Isard, Robertson & Co. Limited, London.
MASSEY, A. B., Mills, Spence & Co., Limited, Toronto.
MOORE, T. F., McLeod, Young, Weir & Company, Toronto.

EASTERN DISTRICT

DEAN, R. H. (Chairman), Nesbitt, Thomson & Company Limited, Montreal.
KILBURN, P., Greenshields & Co. Inc., Montreal.
FUGERE, P., Hamel, Fugere & Cie, Limitee, Quebec.
GELINAS, L. P., Geoffrion, Robert & Gelinas, Inc., Montreal.
GINGRAS, G., Rene-T. Leclerc, Inc., Montreal.
HUNT, A. D., W. C. Pitfield & Company Limited, Montreal
KIMBER, S. B., A. E. Ames & Co. Limited, Montreal.
ROGERS, J. C., J. C. Rogers & Company Ltd., Montreal.
HUGHES, J. R., Royal Securities Corp. Limited, Montreal.

MARITIME DISTRICT

FISHER, F. C. (Chairman), Eastern Securities Co. Ltd., Saint John.
HAMM, George P., Nesbitt, Thomson & Co. Ltd., Saint John.
LANNON, Joseph B., W. C. Pitfield & Co. Ltd., Saint John.
HEBB, John R. C., Dominion Securities Corp. Ltd., Halifax.
WHITE, W. T., G. E. Leslie & Co., Halifax.

Among those attending were:

BACKUS, H. S., McLeod, Young, Weir & Company Limited, Toronto.
BAKER, R. D., James Richardson & Sons, Winnipeg.
BARTLETT, P. H., Dominion Securities Corpn. Limited, Kitchener.
BAWDEN, H. N., Dominion Securities Corpn. Limited, Toronto.
BEAUBIEN, Jos. Jr., L. G. Beaubien & Co. Limited, Montreal.
BEAUSOLEIL, C. G., Cote & Company, Montreal.
BELANGER, Roger, Paul Gonthier & Company Limited, Montreal.
BELSHAW, J. A., Brawley, Cathers & Company, Toronto.
BEVES, G., Calvin, Bullock Limited, Montreal.
BORRIE, W. J., Pemberton & Son Vancouver Limited, Vancouver.
BOULET, J. C., J. C. Boulet Limitee, Quebec.
BRENNAN, F. J., F. J. Brennan & Company Limited, Saint John.
BROWN, J. C., Canadian Alliance Corporation Limited, Montreal.
BULGIN, J. D., Dominion Securities Corpn. Limited, Winnipeg.
BULL, R. O., Gairdner & Company Limited, Toronto.
BOWMAN, A. C., McLean-Hunter Publishing Company, Toronto.
CARTAN, A. J., Harrison & Company Limited, Toronto.
CASGRAIN, R., Casgrain & Co. Limited, Montreal.
CASTLEDINE, V. S., V. S. Castledine & Company Ltd., Ottawa.
CHOAT, J. E., James Richardson & Sons, Toronto.
CHRISTIE, J. H., R. A. Daly Co. Limited, Toronto.
CLARK, J. W. G., Investment Dealers' Association of Canada, Toronto.
CLARK, R. E., Calvin, Bullock Limited, Montreal.
COCHRAN, H. E., Cochran, Murray & Co. Limited, Toronto.
COLLIER, W. T. K., Collier, Norris & Quinlan Limited, Montreal.
COLLINS, Julien, Investment Bankers' Association of America, Chicago.
COLVEY, D., Dow Jones News Service, Montreal.
COPLAND, R. O., Oldfield, Kirby & Gardner Limited, Winnipeg.
CORBETT, D. R., Royal Securities Corporation Ltd., Toronto.
COX, Murray, Greenshields & Co. Inc., Montreal.
COYNE, B. L., F. H. Deacon & Company, Toronto.
CRAWFORD, J. K., Biggar & Crawford, Toronto.
CREIGHTON, D. B., Nesbitt, Thomson & Company Limited, Montreal.
CROOKSTON, J. I., Nesbitt, Thomson & Company Limited, Toronto.
CRYSDALE, J. P., Gairdner & Company Limited, Toronto.
CUNNINGTON, G. N., Biggar & Crawford, Toronto.
DALE, C. J., Pemberton & Son Vancouver Limited, Vancouver.
DALY, R. O., K. C., Daly, Thistle, Judson & McTaggart, Toronto.
DATTELS, D. R., D. R. Dattels & Company, Kitchener.
DAWSON, Dudley, Dudley, Dawson Limited, Montreal.
DEAN, R. H., Nesbitt, Thomson & Company Limited, Montreal.
DEANS, M. C., Bankers Bond Corporation Limited, Toronto.
DILLON, J. M., Carlile & McCarthy Limited, Calgary.
DINGLE, D. B., Wood, Gundy & Company Limited, Toronto.
DOWNES, W. L., Kippen & Company Incorporated, Montreal.
DUNSTAN, E. F., International Bank for Reconstruction & Development, New York.
DYMENT, W. A., Burns Bros. & Denton Limited, Toronto.
DYMOND, A., Fairclough & Company Limited, Toronto.
ERTL, E. C., Financial Times, Montreal.
EVANS, F. O., McLeod, Young, Weir & Company Limited, Montreal.
FALKNER, J. A. D., Wood, Gundy & Company Limited, Montreal.
FINDLEY, J. R., F. H. Deacon & Company, Toronto.
FISHER, F. C., Eastern Securities Company Limited, Saint John.
FITZPATRICK, F. M., A. M. Kidder & Co., Montreal.
FRANCIS, F., Montreal Gazette, Montreal.
FRASER, G. Lyall, Western City Company Limited, Vancouver.
GAIRDNER, J. A., Gairdner & Company Limited, Toronto.
GALLAGHER, T. H., Dominion Securities Corpn. Limited, Hamilton.
GAMMELL, H. G., Bank of Canada, Ottawa.
GASSARD, H. L., Investment Dealers' Association of Canada, Montreal.
GEE, H. W., Canadian Alliance Corporation Limited, Montreal.
GELINAS, Louis P., Geoffrion, Robert & Gelinas, Inc., Montreal.
GILL, W. B., Wall Street Journal, Toronto.
GINGRAS, Gerard, Rene-T. Leclerc, Incorporee, Montreal.
GORDON, A. S., Royal Securities Corporation Limited, Montreal.
GOUINLOCK, R. W., Bell, Gouinlock & Co. Limited, Toronto.
GRAHAM, C. T., Waterloo Bond Corporation, Kitchener.
GRAHAM, John, John Graham & Company, Ottawa.
GRIFFIN, H. S., Wood, Gundy & Company Limited, Halifax.
GUNDY, C. L., Wood, Gundy & Company Limited, Toronto.
GUNN, N. H., Bell, Gouinlock & Co. Limited, Toronto.
HAMMOND, S. B., Royal Securities Corporation Limited, Montreal.
HOW, J. B., A. E. Ames & Co. Inc., New York.
HOWARD, A. L., Anderson & Company, Toronto.
HOWARD, R. P., Gairdner & Company Limited, Montreal.
HUGHES, J. O., A. E. Ames & Co. Limited, London.
HUGHES, J. R., Royal Securities Corporation Limited, Montreal.
HUNT, A. D., W. C. Pitfield & Company Limited, Montreal.
ISARD, C. E., Isard, Robertson & Co. Limited, London.
JEFFERS, Wellington, Globe & Mail, Toronto.
JENNISON, G. L., Wills, Bickle & Co., Toronto.
JONES, R. M., Eastern Securities Company Limited, Charlottetown.
JOYCE, J. H., Financial Post, Toronto.
KEELY, C. P., Nesbitt, Thomson & Company Limited, Toronto.
KENNEDY, E. M., Midland Securities Limited, London.
KILBURN, P., Greenshields & Co. Inc., Montreal.
KIMBER, S., A. E. Ames & Co. Limited, Montreal.
KINGSMILL, J. A., Investment Dealers' Association of Canada, Toronto.
KIPPEN, E. D. B., Kippen & Company Incorporated, Montreal.
KIRBY, W. J., Eastern Securities Company Limited, Moncton.
KNUBLEY, P. K., Bell, Gouinlock & Co. Limited, Montreal.
LABELLE, Ulric, J. C. Boulet Limitee, Quebec.
LACROIX, Eme, Credit Interprovincial Limitee, Montreal.
LANE, S. F. H., Investment Distributors Limited, Montreal.
LEDDY, J. A., MacTier & Co. Limited, Montreal.
LEDOUX, J. F., James Richardson & Sons, Montreal.
LEVESQUE, J. L., Credit Interprovincial Limitee, Montreal.
MACKENZIE, A. H. B., Mackenzie & Kingman, Montreal.
McALPINE, W. C., Brawley, Cathers & Company, Toronto.
McCAIN, G. E. A., G. E. Leslie & Co., Montreal.
McCULLOCH, R. G., Osler, Hammond & Nanton Ltd., Winnipeg.
McCUTCHEON, C. L., Bankers Bond Corporation Limited, Toronto.
McDONNELL, E. J., Intercity Securities Corporation Ltd., Toronto.
McFARLANE, W. E., Mead & Co. Limited, Montreal.
McILWRAITH, A. H., Charles H. Burgess & Company, Toronto.
McLENNAN, A. W., R. A. Daly Co. Limited, Toronto.
MILLS, L. G., Mills, Spence & Co. Limited, Toronto.
MOORE, T. F., McLeod, Young, Weir & Company Limited, Toronto.
MORAN, W., Greenshields & Co. Inc., Montreal.
MUDGE, Louis, International Bank for Reconstruction & Development, New York.
MULQUEEN, E. F., Mills, Spence & Co. Limited, Montreal.
MURPHY, H. E., Commercial & Financial Chronicle, New York.
NIXON, S., Dominion Securities Corpn. Limited, Montreal.
PARTRIDGE, Donald W., Canadian Alliance Corporation Ltd., Montreal.
PAYN, P. R., W. C. Pitfield & Company Limited, Montreal.
PIPER, W. J., A. E. Ames & Co. Limited, Montreal.
POPE, E. R., Milner, Ross & Co. Limited, Toronto.
RAMSAY, J. S., McTaggart, Hannaford, Birks & Gordon Ltd., Montreal.
RATH, H. H., Thomson & Co., Montreal.
REID, H. J., Osler & Hammond, Toronto.
RHIND, J. A., Mills, Spence & Co. Limited, Toronto.
RHUDE, Forbes, Canadian Press, Toronto.
RICHARDSON, James, James Richardson & Sons, Toronto.
RIDLEY, J. B., A. E. Ames & Co. Limited, Toronto.
ROBINSON, C. S., Osler, Hammond & Nanton Ltd., Calgary.
RYAN G. G., L. G. Beaubien & Co. Limited, Montreal.
RYAN, Jos., Biggar & Crawford, Toronto.
SAVARD, J. E., Savard, Hodgson & Co. Inc., Montreal.
SIMPSON, D. G., Midland Securities Limited, Toronto.
SKELLY, D. A., A. M. Kidder & Co., Montreal.
STANBURY, H. N., Stanbury & Co. Limited, Halifax.
STEWART, A. M. G., J. F. M. Stewart & Company, Toronto.
STEWART, G. C., Royal Securities Corporation Limited, Toronto.
STYLES, A. D., Gairdner & Company Limited, Montreal.
SYDIE, J. E., Sydie, Sutherland & Driscoll Limited, Edmonton.
TANGUAY, Fernand, J. C. Boulet Limitee, Quebec.
TINGLEY, H. W., Wood, Gundy & Company Limited, Vancouver.
TORRES, E. J., 3835 Van Horne Avenue, Montreal.
TRIGGER, Raymond, Investment Dealers' Digest, New York.
TROYER, J. T., Thomson & McKinnon, Toronto.
TRUDEAU, R. N., Savard, Hodgson & Co. Inc., Montreal.
TURGEON, HENRI, Greenshileds & Co. Inc., Montreal.
VIDRICAIRE, H. J., James Richardson & Sons, Vancouver.
WALL, Walter A., Intercity Securities Corporation Ltd., Toronto.
WARD, D. H., Dominion Securities Corpn. Limited, Toronto.
WEBB, G. W. M., Bell, Gouinlock & Co. Limited, Montreal.
WEBSTER, L. F., Beatty, Webster & Company Limited, Toronto.
WELDON, D. B., Midland Securities Limietd, London.
WELDON, J. A., W. C. Pitfield & Company Limited, Montreal.
WELSFORD, C. deV., Bank of Canada, Montreal.
WHEATLEY, James, Guildhall Securities Limited, Montreal.
WHITE, W. T., G. E. Leslie & Co., Halifax.
WILKINS, D. J., Fry & Company, Toronto.
WILSON, Roger, Goodwin Harris & Company, Sarnia.
WOOD, J. D., A. E. Ames & Co. Limited, Toronto.
WOODCOCK, W. A., Charles H. Burgess & Company, Toronto.
YOUNG, N. D., Dominion Securities Corpn. Limited, Toronto.

A large number of financial journalists covered the convention: Douglas Colvey, Canadian Dow-Jones, Montreal; E. C. Ertl, "The Financial Times," Montreal; Frank Francis, Montreal "Gazette"; W. B. Gill, "Wall Street Journal"; Wellington Jeffers, Toronto "Globe and Mail"; James Joyce, "Financial Post"; Ronald McEachern, "Financial Post"; H. E. Murphy, "The Commercial and Financial Chronicle," New York; Forbes Rhude, Canadian "Press," and Raymond Trigger, "Investment Dealers' Digest," New York.

Puerto Rico Obtains $6,000,000 Crop Loan

D. R. Bonniwell, Financial Director of the Banco de Fomento de Puerto Rico, fiscal agents for the Government of Puerto Rico, announced on June 15, the consummation of a $6,000,000 crop loan for the planting, cultivating and harvesting of sugar cane for the Land Authority of Puerto Rico. The loan was awarded to a syndicate headed by the Banco Popular de Puerto Rico, representing themselves, the Guaranty Trust Co. and the First National Bank of Boston, at a 2.95% interest rate. Interested banks included the Chemical Bank and Trust Co., the National City Bank and two additional Puerto Rico banks, the Credito y Ahorra and the Banco de Ponce. The announcement says:

"While the loan is not a direct loan of the People of Puerto Rico and does not carry a pledge of the government's credit, the unparalleled credit history of the Government of Puerto Rico, plus the ever increasing economic stability of the Island, due to its industrial program, were reflected in the low interest cost bid for the sugar crop."

The Insular Government, its municipalities, authorities, agencies and political subdivisions, Mr. Bonniwell pointed out, have never defaulted or been delinquent in any of their obligations since Puerto Rico came under the American flag in 1898, and for 250 years prior under Spanish Crown rule. Mr. Bonniwell, who arrived in New York June 1, will remain in New York for an additional six weeks for the purpose of discussing with banks, insurance and investment bankers other financing programs of the Government of Puerto Rico. Mitchell & Pershing, 120 Broadway, New York, are attorneys for the Puerto Rico Government's fiscal agents, the Banco de Fomento.

Ralph E. Samuel Admits

Ralph E. Samuel & Co., 115 Broadway, New York City, members of the New York Stock Exchange, will admit Donald C. Samuel and Bernard Stein to partnership on July 1.

Professional Status Of Investment Dealers Improving

(Continued from page 22)

comes too dependent on speculative profits and not distribution margins. The reputation of the investment fraternity may thereby be jeopardized in times of stress.

High personal income taxes, besides reducing the dealers' normal margin, tend to drive investors into a disregard of recognized investment principles in their effort to seek gain rather than security of capital and income. This results in investors assuming hazards not normally associated with the term "investment." Let us then be careful to appreciate the position of trusteeship we assume when investors put their savings in our hands.

Let us become more vocal about justifiable margins and unreasonably high taxes—raise the one and lower the other.

Reasonable Margin of Profit

The Investment Dealer is performing an indispensable function in a country with great promise. We cannot continue to perform this function properly without a reasonable margin of profit; in other words, without a living wage. If the margin is reasonable we have nothing to be ashamed of. It is difficult to name another industry giving similar service and assuming similar risks for similar margins. In general we charge nothing for service and must make our living out of buying and selling, all the time taking the risk involved.

Peacetime taxes which are too high tend to destroy the initiative and the enterprise necessary for development. We are contributing substantially to the development of Canada. We are therefore in a good position to become vocal. Let's be vocal; let us boldly fight for reduced taxes, income, transfer, etc.

•If we do these things and continue realistically to develop in ourselves and our employees the necessary knowledge and skill acquired through educational efforts and experience; if we refuse to be interested in dirty dollars but at all times display a keen interest in the nice clean crisp ones; if we do all this with reliability and dignity, we cannot help enhancing the professional status of the Investment Dealer.

Basil Harris Dead

Basil Harris, Chairman of the Board of the United States Lines, died on June 18 in the Harkness Pavilion, Columbia-Presbyterian Medical Center. Named by President Franklin D. Roosevelt as Assistant Secretary of the Treasury and Commissioner of Customs in September, 1939, and he formulated plans for merchant marine shipping in anticipation of the possible involvement of the United States in the war before his retirement in July, 1940. Among his many other activities, it was noted in the New York "Sun" that he was a partner of Phelps, Fenn & Co., investment securities; a trustee of the Emigrant Industrial Savings Bank and the Atlantic Mutual Insurance Company, a director of the Northern Insurance Company, Assurance Company of America, Centennial Insurance Company, National Federation of American Shipping, United Seamen's Service, American Merchant Marine Institute Arbitration Association, American Bureau of Shipping and a member of the United States Chamber of Commerce Committee on Harbors and Shipping.

Jas. T. DeWitt Co. Formed

James T. DeWitt & Co. is engaging in a securities business from offices at 112 East 19th Street, New York City.

"Dollars and Sense"

(Continued from page 4)

stone of the kind of government that makes and keeps men free. The answer is, when they become informed through some nation-wide plan of economic education. Or when, if it is not too late, they, themselves, are made to feel the full burden of the tragedy and become sorely conscious of the fact that they, themselves, are paying the bills for their alleged security. And that educational program is somebody's responsibility. Whose? **Ours!** The unofficial custodians of the hard-earned savings of our depositors.

Contest for Sound Money

At this very moment there is a contest being waged, fraught with more vital consequences than any other in our time, between a sound medium of exchange and printing press currency. The printing press is in the lead, as it has always been when Federal spending is out of control.

Someone has said that "the present retreat of liberal principles throughout the world is a consequence of the decay of the money and credit systems that gave the nineteenth century a unique advantage in the annals of mankind." And what a contribution we in America have made to that inglorious retreat!

Daniel Webster said in 1834: "I admonish every industrious laborer in this country to be on guard against those who would perpetrate against them a double fraud—a fraud to cheat them out of their earnings by first cheating them out of their understandings.

"The very man above all others who has the deepest interest in sound currency, and who suffers most by mischievous legislation, is the man who earns his daily bread by his daily toil. A vast majority of us live by industry. The constitution was made to protect this industry, to give it both encouragement and security; but above all, security."

On the same subject, the immortal and stalwart Southern democrat, Thomas Jefferson, said: "To preserve our independence, we must not let our leaders load us with perpetual debt. We must make our election between economy and liberty, or profusion and servitude."

At this point, let us pause to observe how many of us have been continuously conscious of the methodical, deliberate manner in which politicians have done their destructive work against these very principles. They have in our time, and long before the advent of World War II, debased our money system by substituting an irredeemable, politically managed, printing press currency, the springboard to police government.

It is rare indeed when even men on the watchtower seem able to recognize this approaching force of disintegration. And as for the masses, they seem never to have been able to identify the enemy that comes to destroy their political, economic and social liberty.

What Should Bankers Do?

Really, what powers do the bankers possess to make impressive these demonstrated historical axioms? How must we proceed to impress upon the public mind the vital importance of sound money in a government of free men? Have not the schools a responsibility to teach this all important concept? It is the duty of the bankers, and this includes insurance executives, who are the custodians of the savings of millions of thrifty citizens, to disseminate education dealing with the money question. Every boy and every girl in every school and in every college in this great, free nation, should be required to complete a course and gain a clear understanding respecting solvency in government. It is axiomatic, and therefore noncontroversial, that only on the foundation of a sound fiscal policy is it possible for a free school system to thrive, or for a democratic, representative form of government to endure. Young people should be shown that they have a personal, vital interest in that very kind of government. The situation challenges the intelligent, cooperative action of education and banking. Clearly, their interests, like all wholesome interests, are identical.

I fear that most of the young people in this generation coming out of the halls of learning into the world have not been given the vitally important education necessary to understand the import and significance of historical and economic events. To justify my concern, I interviewed many graduates—boys and girls most of whom admitted they had meagre education having to do with the importance of sound money, one of the principal pillars of a representative republic.

Provided with sound economic education, citizens, old and young, are no longer deceived by catch-phrases and glowing assurances, all intended to frighten or appease. They are guided solely by facts, and cannot be misled, terrorized, or won over to new-sounding philosophies and creeds, which, in the face of all experience, stand utterly condemned and branded as the cause for the collapse of nations and civilizations.

Dictatorship a Product of National Insolvency

We know, and it is a teaching of all history, that back of each and every ultimate uprising of the people looms some gigantic economic terror. Whenever and wherever the life-blood of the people has been sucked up to maintain men in power, to sustain a topheavy government created by printing press, "senseless" money to purchase the electorate, no matter what name it bears, the day of reckoning is at hand.

The men who controlled the destiny of Europe were not self-elected. They were invited. They came into power because of the breakdown of solvent government. They were receivers for nations gone bankrupt. Possessed of a superior power of persuasion, coupled with native political sagacity and a burning passion for power, these men recognized that their day had arrived. They witnessed the helplessness of those in power. They saw before them the beckoning, vacated seats of power made so by the breakdown of solvent governments. Coming out of comparative obscurity, after a debased money system had exacted its tragic toll, these dictators on horseback captured the imagination of the people and rode to power amid the applause of the unsuspecting and apathetic masses. That is how it all happened "Over There."

But what made their advent possible? Economic exhaustion, debased currency, ruthless taxation—that was the terror. It was the demon of debt, deficit spending, a disregard for solvency.

Inflation does not come by presidential or legislative proclamation—it develops slowly, as it always does, until the final stages. Then it assumes the proportions of a prairie fire, consuming all the substance of the people. Then a despoiled nation. Then the emergency; then chaos; then the dictator; then the total national extermination. It could logically be argued that inconvertible, printing press, political money was one of the great causes of World War II.

Loss of confidence in its money, which, in the final analysis is inflation, is the greatest tragedy that can happen to any civilized state.

We say it can't happen here. Rather, let us say, it must not happen here! Then let us proceed to make that declaration a living reality by restoring sound money and recapturing the control of Federal spending at the earliest possible moment, which will be the only guarantee against that demon that counts civilization among its victims.

But need we look beyond the waters, or even cite the teachings of history, to be convinced that right now, in our own land, in this reputed sanctuary of freedom and liberty, we must not, dare not, continue to tamper with the deadly explosive of excessive national debt and the resultant printing press money which has blown one civilization, one culture after another, into oblivion.

Back, then, to our question. Do we possess power of discernment? What do present movements mean to us? Do we realize what it is going to mean to everything we cherish under this Republic if we fail to reduce the national debt at least three to five bililon per year, and discard for good, deficit financing?

Discredited New Deal Philosophy

That discredited philosophy, which Senator Byrd of Virginia, said is close upon us again, was here long before our entry into the war, and it was responsible, in time of peace, for rearing a debt structure of an unprecedented amount. Unless now substantially reduced, this debt structure will soon pass the stage of safety and solvency, and must, of its own weight, collapse, leaving among its ruins 150 years of free agency, a system that gave to the world a government characterized by Lincoln as "of the people, by the people, and for the people."

If that picture is overdrawn, then all history is a lie.

Even the Founding Fathers were aware of these dangers and warned against them. And why? Because they were historically minded. They were close students of world affairs. They knew what had brought about the rise and fall of nations. That is why they attempted, through the Constitution, to map out the safe way to pursue, to establish and to perpetuate the principles of government and human relations for which they gave so freely of their blood and treasure. They knew that any departure from that safe charted highway of sound money would lead us into a wilderness of confusion, where, in our helplessness and ignorance, we too, would add one more name to the long list of defunct civilizations.

Washington's Farewell Address, the admonitions of Madison, Hamilton, Jefferson, were perhaps little understood or appreciated at the time, but what remarkable reading for us in our generation! How they bristle with wisdom!

Almost against their better judgment, they provided for general suffrage, for they hoped against hope that in some manner, mass education would be made a continuing, accomplished fact. They trembled as they anticipated the day when the vote of the majority could be bought with political currency in exchange for alleged economic social security. They recognized that only when people are informed, when they discern, are they able to exercise the voting privilege wisely and effectively in their own interest and for the perpetuation of their own rights. They knew of men's lust for power; that, once entrenched, they reluctantly yield their positions; that they create emergencies to perpetuate themselves in control; that they surround themselves with hungry hangers-on; that they build up a vast, ever-increasing, tax-consuming army of servile public employees; that by means of lavish contributions taken from the pockets of the people, by a systematic erosion of the public treasury, individuals, states, and their political subdivisions, can all be made to relinquish their time-honored, independent prerogatives in favor of an ambitious central government. Those men had seen how human nature operates; how easily men can be despoiled and sold down the river, how readily they can be betrayed. Out of the wealth of their wisdom and their power of discernment they gave to us that unprecedented instrument of human liberty, the Constitution.

Assaults on the Constitution

But no sooner had that Magna Charta, with its priceless Bill of Rights, been placed in our hands, than it became immediately an object of assault. These attacks have never ceased. They have increased in insolence and intensity. We need not recite the happenings of recent years. They are grimly familiar to us in this group. But — once again we come back to the question. How can they be made clear to the man in the street, to the middle-class individual, to the average citizen who casts the controlling vote?

Who dares contend that we, in our day, have not shown ourselves to be equally gullible, equally willing to be betrayed, equally willing to be sold upon the block, like those who have preceded us?

It can safely be maintained that no other country on earth could have so ruthlessly violated sound principles of economics as we have without suffering complete and absolute wreckage. Thanks to our endless and apparently inexhaustible resources, we have been able, up to date, to win the most devastating war in all time and remain solvent. The best proof that the American pattern of government is sound, is that it has been able to stand up for the years past under the greatest orgy of spending that any government in any period has ever attempted in the history of civilization.

As much as our present indebtedness alarms us, it is our apprehension of the trend that overwhelms us. We are not unmindful of those stalwart, patriotic Americans — Democrats and Republicans — in the Congress of the United States, who are at this very moment fighting against insurmountable barriers, to restore sound money, and thus insure solvency. Their efforts seem, at the moment, to be meeting some success. I hope and pray they will succeed, but they will not unless an aroused public opinion comes to their aid. There is ample evidence that it is most difficult to regain control of public spending; and public spending is now out of control.

Just as we today are meeting, so have men met throughout the centuries. In other days there were people who dared stand up and paint to their fellows the gloomy picture of what must inevitably follow a continuation of the mania of incurring debts, borrowing and perpetuating deficits. They were called ugly names, and were looked upon as calamity howlers. Strange, is it not, that we experience the same reaction when we, in our day, warn against the continuation of debasing sound money.

How then may the masses, our fellow citizens, be won over and stimulated into action, so that they, the victims of such a program, will act in the interest of their own security and their own personal liberty? Who should be more willing than we to undertake the task? Who should possess more courage, or more determination, or more power of discernment to seize this opportunity, ere it be too late? John Rustgard said: "If we are too weak today to handle the situation as it should be handled, we shall be weaker tomorrow and the next day still weaker. We are giving shelter to a vulture that is constantly eating out our vitals."

Can it not be shown to the man in the street, to the merchant, to the manufacturer, to the housewife, to the educator, to the churchman, to the farmer, to the vast army of honest workmen, even to those who will be subsisting upon government benevolence? Can it not be told to the labor organizations that there were no unions in Germany, Italy, or Japan, nor will there be in any nation where the purchasing power of its money is destroyed? Can it not be shown to youth, to all people, irrespective of color, or class, that they will all be made to suffer for this crime; that they all must now unite to restore and perpetuate a sound fiscal policy and maintain our safe, constitutional balances of power?

We bankers, with our wide range of contacts, can we not speak the language of each of these groups, so that they will understand that no government can long remain free with a managed, printing press currency system; that the only source of wealth is with the people themselves, from services and production; that government support comes entirely from the earnings, production, and savings of the people; and that not one cent originates in the government? How readily will the millions of savings depositors, millions of holders of life insurance policies, with voting control, rally to such a call for united action, once they are convinced that the leadership in this crusade is informed and passionately and patriotically devoted to public interest!

Men will not struggle to save money if they know that they are ultimately to be denied the fruits of their labors. No trick of logic will ever be able to destroy that human trait. That fact is known to those in power.

We Lack Education

The unscrupulous politician knows that we lack education; that we have grown self-centered, and group-conscious; that we are no longer historically minded. We imagine that history began with us. We are the "Little Red Riding Hoods" bringing our hard-earned substance to our dear, old "Government Grandma," who turns out to be a hungry wolf that devours not only our substance, but threatens our very lives and fortunes.

It ought to be burned into the consciousness of every citizen that the first line of defense in a free country is a balanced budget on a sound money base.

Our national debt in this day of peace is $257 billion. With the war won, let us resolve to win the battle to save the dollar. That dollar of destiny must not become a post-war casualty, lost through political action.

Let us dismiss any gay optimism. The time calls for action—speedy action, intelligent action, determined action. It calls for organized action, while action is still possible; before we, too, are robbed of our weapons; before we lockstep under the whip of a despotic government that may continue to sing mock praises to a defunct Constitution. The term "democracy" will be maintained, but its substance will have departed. What to do? We must map out our course. We must select a few fundamentals upon which to build. What are they?

They should be stated briefly:

Fundamentals of Fiscal Policy

Keep the budget in balance and reduce the national debt by not less than $3 billion per year.

Strip all Federal agencies, irrespective of name or description, of the power to create obligations for any purpose, or under any circumstances, except by direct Congressional sanction.

Call upon Congress to function as the one exclusive authority to contract public indebtedness—the

only one authorized to determine what money is needed to meet the current expenses of government and to anticipate future obligations; to be the only borrowing or bonding Federal agency, as prescribed by the Constitution.

Make government withdraw from the competitive field against its own tax-paying citizens; to continue to regulate and supervize, justly and constructively, but not to participate in the manifold affairs and transactions of business.

Restore to the states their once proud position as independent commonwealths, supporting their own enterprises, providing for their own worthy ones in need, and remaining safely within their own income.

Re-create a tax-conscious electorate. This tax-conscious electorate, now legislated out of existence in payment for votes—11,000,000 of them. A tragedy! Not until the self-reliant army of America's best citizens, holding voting control, are taxed to meet the expenses of a spendthrift government, will the survival of our free country be assured. That this government is worth saving, all decent citizens will admit. To save it, all must pay for its preservation. Those who are not assessed to perpetuate it, are not conscious of its priceless worth.

Take, and keep, all relief out of politics. The crying need for the restoration of all these keys to honest, solvent, and humanitarian government seems so obvious as to require neither comment nor defense. But perhaps one statement at this point is necessary. It has to do with relief. Let no citizen be naive enough to believe that a change of government will solve that problem overnight, because the technique of capitalizing the relief vote has been so perfected, and its vote-getting efficiency so clearly established, that politicians of the future, if left unhampered, will be disposed to continue the tricks and ruses employed by the politicians of the present. Our worthy needy must be taken care of, but not corrupted.

At the outset we must know that the destruction of savings and the starvation of production, brought on by ever-increasing government doles and deficits, will mean ultimately the loss of our capacity to take care of the needy. It is the thrifty citizen and not the government, that must and does provide the money for this purpose. Finally, the interests of those on relief are identical with the interests of all thrifty Americans. And why? Because government cannot continue to care for the needy once the capacity of the thrifty, saving people of America has reached the dead end.

Reestablish Gold Standard

Reestablish the gold standard. Gold is a gift to the world from an all-wise Creator. There is no substitute. There will not be. Without it as a base for national and international exchange, civilization could not have emerged from its barter period of the Dark Ages. It is the only insurance against ruthless politicians debasing and corrupting the world exchanges and money systems of a free people. I repeat, it is a blessing from an all-wise Providence to prevent the tragedy that follows a debased, corrupted and politically managed medium of exchange. The gold standard is the automatic watchman on the tower of the government of free men, to guard against the poison of totalitarianism entering the blood stream of sound money. No honest American will ever thumb his nose at Fort Knox.

The points mentioned are simple fundamentals of a sound, solvent, democratic, representative government. There is one other aspect of inflation that must have immediate legislative action. Government must recognize the relationship that there is between the National Labor Relations Act and inflation. Every time a strike is called and higher wages are granted, one more step is taken towards inflation. Higher wages mean higher prices, and higher prices must be met again by an increase in wages. Thus the dangerous virus of inflation moves progressively to the uncontrolled stage.

Labor's contribution to winning the war was a matchless performance. The American dollar will not survive without the cooperation of labor and management.

You and I know how vital enlisted dollars were in winning the war, how they made possible the planes, the tanks, the subs, the destroyers. Men, materials, and money saw us through the crisis, and only sound money will now keep us from chaos. Now that the Ship of State is in the home harbor to contemplate post-war problems, she must be anchored to honest American money.

With 85 million Americans owning billions of the bonds of the United States, certainly the government owes it to its people whom it asks to buy its bonds, to do everything it can to avoid unnecessarily increasing the total cost of government, now that the war is won, and not further debase the dollar; to balance the budget, and to keep the ultimate debt down to an amount which can be met without destroying the value of the dollar, and the value of the savings of the people.

It is the duty of all good citizens to sound the alarm that only when the budget is brought into balance, and the national debt reduced, will the American dollar have insurance against becoming a post-war casualty, with all that this tragedy portends. It must be made plain to the man on the street, the worthy people on relief, the aged, the hopeful, trusting beneficiaries of Social Security, the boys who have been on the firing line, and owners also of government life insurance in the billions, what awaits them if our elected representatives fail to stop the creeping paralysis of inflation now destroying the purchasing power of this dollar.

No Administration can violate its promises and preserve the confidence the people reposed in it, when they called it into service. When any Administration, no matter what its personnel or its politics, deceives the people, it betrays its sacred trust. No higher trust was ever imposed upon any government than the duty to keep faith with the people. This is a sacred obligation, imposed by all the divine laws that have ever been given. No man, no party, no government can break faith with those they govern and escape retributive justice. God is slow to forgive those who betray their brother. "Thou shalt not bear false witness against thy neighbor," came from Sinai, and what false witness could be greater against your neighbor than to take from him his substance under false pretense?

Return to Dollars With "Sense"

The government must, upon all considerations not the least of which is its own perpetuation, see that it handles its finances so that the people can have returned to them the dollars with "sense" which they trustfully put into its keeping; and the government must see to it, not that the money shall be returned merely in numerically equivalent dollars, but in dollars that shall be of substantial purchasing power. This would be but the most ordinary, the most common, and in a sense, the lowest kind of mere money honesty. Are our leaders ready to do these things? They must, and without compromise, hold that line, or the Trojan Horse, with national bankruptcy riding in the saddle, will open the gates to the waiting agencies of forest-fire inflation.

As we see all about us a tortured, distracted world, may we resolve and declare our determination to keep this government, this people, ourselves, free from the serfdom and shackles of debt, deficits, and despair; and to preserve our priceless legacy founded upon principles of sanity, righteousness, solvency, and stable money.

N. Y. Municipal Club Outing for June 25

Some 250 members and guests of the Municipal Bond Club of New York are expected to attend the Club's 15th annual field day at the Sleepy Hollow Country Club, Scarborough-on-Hudson, N. Y., on Friday, June 25, 1948. Out-of-town guests will include the Presidents of the Municipal Bond Clubs of Boston, Philadelphia and Chicago.

Sports and entertainment will be the order of the day, with one of the features being a golf tournament. Prizes will be awarded to golfers for Low Gross and Runner-up (Member), Low Net and Runner-up (Member), Low Gross and Runner-up (Guest), Kickers' Handicap, "Longest Drive" (on a selected hole), and "Nearest-the-pin" (on a selected hole). Non-golfers also will have an opportunity to win prizes by playing tennis, softball and horseshoes. Excellent swimming pool facilities will be offered throughout the day to cool off the hard playing municipal bond men.

Special awards will include 1949 Mercury DeLuxe Sedan; a General Electric Console Television, Radio, and Phonograph Combination; and a matched set of Amelia Earhart top-grain leather luggage.

Buffet luncheon will be served to members and their guests at the Golf House while dinner will be held at the Main Club House. All prizes will be awarded at the dinner.

Daniel E. Fitzpatrick, Phelps, Fenn & Co., is Field Day Committee Chairman, and Roald A. Morton, The Blue List, and George R. Waldmann, Mercantile Commerce Bank & Trust Co., are Sub-Chairmen.

Coincident with the Field Day, the Municipal Bond Club will hold its annual meeting and election of officers.

SEC Charges Dealer With Fraud

Has ordered hearings against N. James Elliott on July 12.

The Securities and Exchange Commission has charged N. James Elliott of 50 Broad Street, New York, with fraud in the sale of mining stock and has ordered a hearing in Washington on July 12 to determine whether his registration as a broker-dealer should be revoked.

The SEC alleges sales of the stock without registration of American Silver Mining Co. According to SEC, Mr. Elliott has sold stock of the American Silver Corporation without registration since Aug. 28, 1947, and through materially false representations. Mr. Elliott is President and General Manager of the company and owned 356 200 shares of its stock on Sept. 30, 1947. The company is now in receivership and is undergoing reorganization in the Federal Court in Los Angeles.

Lewis Management Co.

Lewis Management Company, Inc., is engaging in a securities business from offices at 63 Wall Street, New York City.

Reitzell, Reed & Co., Inc.

ERIE, PA.—The firm name of H. E. Scott Co., 1001-1007 State Street, has been changed to Reitzell, Reed & Co., Inc.

Los Angeles Bond Club Field Day Big Success

LOS ANGELES, CALIF. — The first annual field day of the Bond Club of Los Angeles, held at the Bel-Air Country Club, was pronounced a huge success by the 250 members and associate members attending.

Golf: Low score winner, Jimmy Cockburn, Crowell, Weedon & Co., score 76. Runner-up, Bob Miller, ex-Sutro & Co., score 77. Low net winner, Wayne Glover, California Bank, net score, 63. Runner-up, W. S. Patterson, Blyth & Co., net score 69.

Tennis—Singles winner, Fred Dyer, Jr., Revel Miller & Co. Doubles. Donald W. Moulton, R. H. Moulton & Co., and Claude C. Richards, R. H. Moulton & Co.

Horseshoes — Winner, Otto P. Walters, Bateman, Eichler & Co.; runner-up, Robert N. Gregory, Harbison & Gregory.

In charge of the event were: John B. Dunbar of John B. Dunbar & Co., general chairman, and his hard-working committee, consisting of Golf committee, Pat Patterson, Blyth & Co., Inc.; Attendance, A. C. Purkiss, of Walston, Hoffman & Goodwin; Publicity, Elwood J. Robinson, Elwood J. Robinson Advertising Agency; Prizes and Trophies, Jo M. French, Blyth & Co., Inc.; Baseball, Stevens Manning, Paine, Webber, Jackson & Curtis; Horseshoes: Warren H. Crowell, Crowell, Weedon & Co.; Entertainment, F. Stuart Roussel, First California Co.; Tennis. Curtis H. Bingham, Bingham, Walter & Hurry; Specialty, Clifford E. Poindexter, Turner-Poindexter & Co.; and Dinner, Charles E. Driver, Blyth & Co., emeritus.

Brooklyn Chapter NACA Participate in National Conference

Raymond C. Morse, President of Brooklyn Chapter, National Association of Cost Accountants, announced that a large delegation from that Chapter attended the 29th Annual International Cost Conference of the National Association of Cost Accountants which was held at the Waldorf-Astoria in New York on June 20 to 23. The delegates took part in the annual gathering of the largest industrial accounting organization in the world to study the impact of current economic problems on industrial accounting techniques.

The four-day Cost Conference in New York featured a program of prominent speakers on industrial accounting subjects. More than 2,000 N. A. C. A. members and their guests, representing the Association's 100 chapters in the United States, Hawaii and Cuba participated in the Conference.

Members of Brooklyn Chapter who were Chairmen of Operating Committees included: Herbert A. Johnson, Registration Committee; E. R. deBechevet, Hospitality Committee, and Malcolm B. Varney, President's Ball Committee.

The President's Ball was held in the Grand Ballroom at the Waldorf-Astoria on Monday evening, June 21.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

John W. Cornwell, Jr., general partner in Hardy & Co., became a limited partner effective May 1.

Walter W. Crawford will retire from partnership in Betts, Borland & Co. on June 30.

Carl F. Boker, Jr., partner in Fahnestock & Co., died on June 14.

General Motors as A Market Forecaster

(Continued from page 3)

The market of the late '30s was a confused affair. According to many students of the Dow theory, there was a bull market, albeit a short one. General Motors made a low for this period at 25½ on March 31, 1938. It recorded its high on Nov. 12, less than eight months later at 53⅞. Some theorists maintain that a rally that lasts less than a year is no bull market, but merely a technical correction. Nevertheless, this present method under discussion permitted profitable operations during this period, although the results were not nearly so gratifying as at other times. A follower of this system would have bought on July 31, 1938 when the Dow was 141.25 and sold on March 12, 1939 when it was only slightly higher at 151.77.

German victories, and subsequent Jap successes, then brought about a slow downtrend that culminated on April 28, 1942 with the averages at 92.92.

Once again, obliging in the extreme, General Motors had slightly more than four months earlier recorded its low of 28⅝ on Dec. 18, 1941.

During the present decade, the high for the stock was made on Jan. 30, 1946, with a mark of 80⅝. True to form once more, on May 29 (the 30th was a holiday), the averages topped off at 212.50.

On Oct. 30, 1946, General Motors declined to 47¾, and all subsequent bear drives failed to violate that low. Consequently, it forecast the present bull market as early as Feb. 28, 1947.

The following table is a summary of the signals given by this stock at major tops and bottoms:

March 21, 1929:	
General Motors high	91¾
July 21, 1929:	
Sell—D. J. Averages	345.87
June 30, 1932:	
General Motors low	7⅝
Oct. 30, 1932:	
Buy—D. J. Averages	62.09
Nov. 9, 1933:	
General Motors high	77
March 9, 1937:	
Sell—D. J. Averages	193.29
March 31, 1938:	
General Motors low	25½
July 31, 1938:	
Buy—D. J. Averages	141.25
Nov. 12, 1938:	
General Motors high	53⅞
March 12, 1939:	
Sell—D. J. Averages	151.77
Dec. 18, 1941:	
General Motors low	28⅝
April 18, 1942:	
Buy—D. J. Averages	96.92
Jan. 30, 1946:	
General Motors high	80⅝
May 29, 1946:	
Sell—D. J. Averages	212.50
Oct. 30, 1946:	
General Motors low	47¾
Feb. 28, 1947:	
Buy—D. J. Averages	178.90

So much for hindsight. Of more pertinent interest is the indication that the stock now gives. Since the bull market signal has been given, it is necessary to be on the alert for a top. Failure of the stock to establish a new high in the next four months would constitute such a signal. Considering the recent action of the market, this seems unlikely. But when the top does come, rest assured that General Motors will herald the event months in advance.

Schoellkopf & Co. Changes

BUFFALO, N. Y. — Paul A. Schoellkopf, Jr., will be admitted to limited partnership in Schoellkopf & Co., 70 Niagara Street, members of the New York Stock Exchange, on July 1. J. F. Schoellkopf, Jr., will retire from limited partnership in the firm on June 30.

As We See It

(Continued from first page)

appeals of President Truman are really intended to be taken literally and seriously and in what degree they are merely "for the record." To make the confusion still worse confounded is the fact that not all of the President's own party has shown much stomach for a good deal of what the President has been advocating. Nor have some influential members of the Republican Party felt it encumbent upon them to make their positions clear at many of these disputed points.

We Must Get at the Issues

Yet somehow the people of this country must insist that the coming campaign be so conducted as to give them an opportunity to issue mandates to both the President and to Congress on at least the more basic of the questions which the past year or two and the record of Congress have left open. It would be clearly unfortunate if, when the next President enters the White House and Congress assembles next January, there remain any great measure of doubt about the general lines of public policy the people of this country want its Government to pursue during the next four years. Such a result may or may not be obtained in the voting this autumn. Whether it will or not depends upon the conduct of the campaigns now about to get under way. How those campaigns will be conducted and what their net result will be depends almost wholly upon what the voters appear to demand of the candidates and the parties.

If it be asked how the voters, in advance of Election Day, can make their wants and wishes known, the answer is not too difficult. Political candidates, their managers, and politicians in general develop a sort of sixth sense about such things. If from the precinct level up the impression begins to gain headway that the Republican candidate, for example, is not doing well for the simple reason that he does not make it clear where he really stands on current issues of vital consequence to the country, something will be done quickly enough to right the situation. If then he leaves little room for doubt that he differs at vital points from his chief opponent, the people can make it certain in November whether or not they want a continuation of the New Deal a la Roosevelt and Truman. If both parties and both candidates appear to promise about the same things regardless of campaign thunderings, a mandate — albeit one we should certainly not like very much — would issue and there would be little left to say about the matter.

Congress a Barometer

The record of Congress leaves the field wide open. Indeed that record in one sense virtually refers many of the current issues to the public for decision this summer. Many of the proposals of the President have not been acted upon. Others have been definitely rejected, while still others have been partially adopted, or adopted for some limited period of time, as if the lawmakers wished first to hear from the people. The two basic questions now before the people are, of course, first, whether or not the New Deal, with its visionary alleged reforms and its determination to go more and more into a program of managed economy, shall be continued in essence or whether it should be shouldered out of the path of progress as promptly and decisively as possible; and second, whether the foreign policy which has been evolved by the present Administration, and which, so far as public utterances are concerned, has now attained almost a sacrosanct eminence, shall continue.

So far as the record at Washington is concerned these two basic issues are wholly undecided and fully open to debate and settlement this summer and autumn. The President, to be sure, has repeatedly placed himself on record as being ardently behind virtually all of the Rooseveltian New Deal. If he has not always been able to carry his party with him in this matter, this failure is not decisive so far as the position of the Democratic Party is concerned. Roosevelt often had to get along without enthusiastic support of some of the elements of his party. At all events, the attitude of Democratic elements in Congress has not been clearly and emphatically enough enunciated to amount to even a partial party repudiation of these programs. But the Republican Party has often "winced and relented and refrained" during the past two years. It has upon occasion actually overridden an executive veto. Yet no one could say that the legislators have made it clear precisely what their attitude is concerning these vital issues.

Clarify the Issues

Clearly, therefore, the coming campaign if it is to produce unequivocal mandates must enunciate issues for itself. They have not been created in advance by clean-cut divisions of view and belief between the two parties, the one in control of the Executive branch and the other dominating the legislative halls. One almost perfect example is found in the so-called Taft-Ellender-Wagner housing bill, which obviously carries the names of leading figures in both parties and was recently given a strong endorsement by the President himself. It remains unenacted—as we hope it always will remain — but, from all appearances, as a result merely of dilatoriness, obstructionism, or factional disputes. The Trade Agreements Act was renewed (with some alterations) for a period of one year only as a sort of last minute compromise. It would be difficult indeed to say precisely what the position of the Republican Party is in regard to this measure.

A compromise was finally reached on foreign aid, with which most if not all elements expressed themselves as satisfied. Yet the fact remains that this measure only settles the question for a period of months. As certain almost as fate, the question will soon rise to plague us again — how far do we wish to go, indeed how far can we feasibly go, in bribing other nations to turn away from Communism? A number of the Republican leaders even have apparently at times been disposed to give friendly consideration to vast control measures which the President keeps demanding.

THERE HAS BEEN MUCH EVADING UP TO THIS TIME. IS THERE NOT SOME WAY IN WHICH THESE AND OTHER EQUALLY VITAL ISSUES CAN REALLY BE PLACED BEFORE THE PEOPLE THIS SUMMER AND AUTUMN?

Inflation by Escalator

(Continued from first page)

wage-costs as well as incessantly increasing mass-spending. They add up to one thing.

One way to raise wages, and to go on raising them, is the old **cost-of-living formula** reintroduced by General Motors. It is being widely celebrated as a device to provide economic justice in income distribution and to assure peace on the labor front, if not to end the inflationary spiral.

In reality, this is merely **a device to camouflage the vicious tendency of wages** behind a smoke-screen of index numbers, which already is being used with that very result by a substantial number of smaller firms in scattered industries.

General Motors' 11-cent hourly raise adds proportionately to the company's labor cost per unit of output; together with increased freight and rising raw material prices, it is bound to affect the price of cars, trucks, and other products. And the additional income of the employees is likely to mean more demand for the same cars, short as their supply is already.

What is more, General Motors' action breaks the backbone of industrial resistance against higher wages, setting a new "pattern" which others must follow. General Electric at once had to reopen negotiations which it had refused before; the "moral" pillar supporting its negative attitude has been demolished. Its proposed 8% hourly raise will cost the consumer about $50 million a year. Chrysler, Kaiser-Frazer, and Nash followed their chief competitor in rapid succession by settling on 13-cent and 11-cent hourly raises—a beautiful illustration of the effect of labor shortage: employers trying to outbid each other in competing for the workers' favor.

II

Even more **significant** is the follow-up in the long pull. Consider the psychological result. The working man, who may have had inhibitions about paying higher prices, now will know for sure that as he pays more, he also will earn more. The retailer, who worried about consumer resistance, and tried hard to keep his costs down, can relax, too. Already, prices which seemed high yesterday are accepted as a matter of course. They will be "swallowed" more readily from here on. Above all, public opinion is being lulled into "relaxation."

The one force that so far has kept prices and wages under some semblance of control was the wholesome respect for public opinion (and for Congress) by employers as well as by union bosses. That controlling force virtually is eliminated when a mechanical device — **automatic adjustment** of wages to the cost of living—replaces bargaining. No one seemingly is responsible any longer. Rising wages are sanctioned by a false facade of economic and social reason, and in turn justify higher prices. Public opinion loses its grip, and inflation can run its course uninhibited.

Current wage increases cannot fail to have their logical price results. Higher prices in turn, will call automatically for new wage increases, and so forth. That is not new, of course. What is new is the fact that instead of annual (or even bi-annual) revisions of the wage pattern, we will have a fresh boost after each price upswing, if only in a quarterly fashion.

It would take Mephistopheles to concoct a smarter procedure for speeding up inflation, while pretending to dispense social justice and economic flexibility.

III

If wage determination by index numbers is a dangerous principle, its practical application in the General Motors contract makes it more dangerous. According to that agreement, the company's payroll can be raised by $5 million annually whenever a 1.14-point upward change in the cost of living occurs. Such a small change, much less than 1% from the present level, is all that is needed to raise wages 1 cent an hour. Suppose, for example, that for some special reason the cost of living index goes up in the course of a quarter, as it usually does in this inflationary period. Pronto, wages must be boosted by 1 cent an hour for each 1.14-point rise in living costs. Consequently, production costs go up, and so do prices. In oher words, a temporary rise in living costs which might have been cancelled otherwise will become permanent. And given the nature of demand-supply forces presently at play, the chances are that this is exactly what will happen: prices not only will be pushed upward in a cumulative fashion, but even the passing minor upward waves will become entrenched in the price structure.

Also, there is a question as to the statistical technique involved. Why choose 1940 as the base year for comparison of the costs of living? Any such choice is arbitrary, and any other base year might bring different comparative results. The compilation of the Labor Department's monthly cost of living index is refined to near-perfection, but it remains open to interpretations as to how many and what commodities should enter it, in what locations, how to weigh each item, etc. There is nothing holy about an index, and once it becomes an object of political interest—as it is bound to become when it determines the livelihood of a large number of people — political pressures are sure to be exerted for changing or recomputing it as it suits the purpose. That is what has happened sooner or later in most countries which have experimented with this dilettantic variety of Planned Economy.

True, the General Motors agreement foresees the possibility of lowering wages, and in the same proportion as raising them. But would labor accept wage reductions unless forced to do so by widespread unemployment? Characteristically, the permissible decline is limited to 5% in the next two years, while the sky is the only limit in the opposite direction. However, chances for a possible downward revision, even to that very moderate extent, are virtually nil. One wonders whether General Motors' management possibly could have overlooked the fact that its wage raise at this juncture necessarily will carry prices with it. It will take little short of a miracle to lower prices when labor costs are rising all around. Or could it be that General Motors underestimated the significance of its own action and assumed that it could boost wages in its plants and leave the rest of the country's wage system unaffected?

IV

In a recent address, General Motors' Mr. C. E. Wilson argued, that his wage formula "would not establish a national pattern of so many cents per hour. We do not believe in uniform wage patterns." This is a most remarkable statement coming from such a distinguished source. The cost of living formula does establish a **wage pattern** even if other wage agreements do not imitate it at once. Actually, the current examples mentioned above show the pernicious national influence over the labor market produced by G. M.'s "constructive leadership." If and when wages of the largest motor firm will rise on the basis of the formula, most of industry will have to follow — with or without the formula. The difference, if any, will consist in the time element: organized workers in other large plants may get the same or similar wage increases somewhat later. With their next contract expiration, in one form or another, they all will demand the formula that has given General Motors' employees the jump on them.

Nor are wages the only issue at stake. In justification of the newly embraced formula, both parties to the agreement argue that it merely restores to the 1940 level the purchasing power of the employees' earnings. Assuming that this claim is correct, it certainly is not correct to base the comparison on hourly rates. "We propose," announced Mr. C. E. Wilson, to **"reestablish the buying power of an hour of work** on a fair basis." (Boldface his.) What matters, in the first place, is not wage rates but actual earnings. By last April, compared with the 1937-39 level,

average monthly earnings in manufacturing have advanced by some 130%, while consumer prices moved barely 70%, and hourly rates by 95.2.

Moreover, the cost-of-living escalator does not and cannot take into account the income boosts (even after taxes) of the family unit, brought about by the huge increase in the number of employed. It does not and cannot take into account the comparative security of tenure, or such obvious advantages accruing to labor as greatly enhanced or newly introduced paid vacation plans, pension programs and similar benefits, and numerous improvements in working and living conditions, all at company expense.[1]

John L. Lewis' current emphasis on the pension fund rather than on a wage boost is a case in point. It shows again that labor bargains for more than wage rates. The cost of living formula, therefore, not only creates a smoke-screen behind which to raise wages directly, but in addition it leaves open the indirect channels. It adds to the upward pressure along the one line, and leaves the door wide open for the same pressure along other lines.

V

The problem today is not to safeguard the purchasing power of wages — at a time when the "net spendable real earnings" of manufacturing workers has risen between 1939 and November, 1947, by 25.9%: from $23.62 to $29.58;[2] when annual national income is running at the fantastic rate of $210 billion and rises month by month. The problem is to check this inflation threat, especially its one basic element, the vicious wage-price spiral.

Of course, this is a matter of public policy which cannot be solved on the level of individual or even organized action. But it is essential nonetheless that industrial leadership as well as labor unions recognize the seriousness of the problem and do more than mutually to blame each other. It is up to them, as a matter of fact, to set standards for public policy rather than to create conditions which help to postpone if not to eliminate proper action.

The bonus formula implies an industrial leadership, the straightforward — although surely unintended — consequence of which is the destruction of the national currency. Whoever might regard this as an exaggerated statement may be reminded that run-away inflations, such as in Germany after World War I and in Hungary after World War II, reached their ultimate phase of total repudiation when once the principle was generally established that wages and salaries have to adjust themselves to prices.

Disregarding the extreme case of run-away inflation, instructive as it is, the implications of the escalator method of wage determination are the same under all circumstances of rising prices. The New York National City Bank's latest report quotes the war-time National War Labor Board as having gone on record that cost of living increases should be offset by wage adjustments, but at the same time could not help but put down that: "To prevent inflationary spirals it must be recognized that wages cannot be automatically adjusted to increases in living costs." What is at stake in this apparently innocent technique of wage adjustment is well illustrated presently by the controversy in France where the Communist unions insist on raising wages to match prices, while the more moderate unions recognize the danger and demand instead that prices should be brought down. As a British illustration to the same effect, the socialist Sir Stafford Cripps may be quoted. "I realize," he said recently, "that there are some people who would gladly see our democracy destroyed that they may win power, and they naturally encourage every kind of demand for wage increases, short hours and all the rest, for the very purpose of throwing our economy into chaos."

Certainly, nothing could be further from the intentions of both General Motors and United Automobile Workers than to throw the economy into chaos. But **if generally accepted**, their principle of wage determination would accomplish just that. Note the principle as worded by Mr. C. E. Wilson: to reestablish "the buying power of an hour of work." The underlying idea is not expressed sharply, but it is clear enough by implication. The idea is that wages, and of course prices, are not to be measured in dollars, but in something else such as "purchasing power," whatever that means. By merely **implying that the dollar has lost its function as a straight standard**, that we need other measuring rods to guide our pricing policies, we have started on a road the end of which can only be monetary chaos. It is not too late as yet to stop on the slippery road.

1 The recent Supreme Court decision about statutory overtime payments is typical of the "hidden" benefits accruing to labor in this period.

2 "Net spendable earnings" are obtained by deducting from gross weekly earnings social security and income tax liabilities of a married worker supporting an adult and two children. The figure is then "deflated" by the percentage rise in consumers' price index to obtain real net earnings.

Economic Trends, Interest Rates

(Contiued from page 6)

blame for bad business conditions between now and election next November. Consequently, politics has also played its part in the improvement of business conditions since last winter—take, for instance, the recent announcement by the Treasury Department of a roll-over of the June-July maturities with a 1⅛% one-year certificate. The market had been prepared for and was expecting an increase in the rate for one-year certificates to 1¼%—so that when Mr. Snyder made his announcement of the 1⅛% rate, the market was caught by surprise. The result of this announcement was a buoyancy in government bond market prices. This also stimulated market prices for high grade corporate securities.

Now, just to give you an idea of the confusion of the times—about two weeks ago, only a short time after Mr. Snyder's announcement of the 1⅛% rate, the Federal Reserve came out with an announcement of a 2% increase in the reserve requirements for New York and Chicago banks to 24%. This move is contradictory to the 1⅛% roll-over—technically, this 2% increase in reserve requirements should have a mild depressant effect on the government bond market. Actually, I don't think it will do much one way or the other. The worst result of this move is the psychological effect it will have on bankers, investors and the investing public generally—many of them will wonder why the Federal Reserve Bank and the Treasury Department don't coordinate their activities. There are constant announcements of the harmony between the Treasury Department and the Federal Reserve Board—in fact, sometimes one wonders if they don't protest too much. Just to make things more confusing, the Treasury Department a few days ago lifted the restrictions on Series F and G bonds. This should siphon off some of the uninvested funds and perhaps slow up the pressure to higher bond prices.

The Wages Question

There is another thing we must always think about when trying to analyze conditions today—and that is, labor and just how successful the labor unions will be in their efforts to secure higher wages. When U. S. Steel turned down a wage increase several months ago, it looked like maybe management was going to hold the line; but with the recent settlement of the General Motors wage controversy, it looks as if we are in for wage increases generally. So far Mr. Lewis has been kept under control, but nobody knows for how long. Also, the railroads are still being operated by the government—whether the government will give the railroad employees a wage increase while it still controls the operation of the railroads is anybody's guess. The people from New York City are well aware of the recent increase in wages granted to building employees.

I recently read somewhere that the labor economists who are tops in their field are of the opinion that this year is the last chance for labor to get substantial wage increases—this statement went on to say that that is one of the reasons why the unions are willing to enter into two-year contracts. However, you will notice that most of these two-year contracts have an escape clause permitting the contract to be canceled or redrawn in a year, so that the labor unions have gotten themselves pretty well covered. Now, what are these increases in wages going to do to our economy? Will these increases in wages be passed on to the public in the form of high prices? I am afraid so, and that means that the cost of living, which is already high enough, will go higher. There's danger there.

A third and very important thing that must be taken into consideration is the international situation. The situation in Palestine is a mess and, regardless of our sympathies, I personally think that our government should have confined its activities to a vigorous support of any solution suggested by the U. N. It isn't a question of what is right and wrong, necessarily, but more a question of trying to settle a squabble which has been going on for many years and walking in on a situation for which we didn't have any solution. It's very similar to trying to settle a squabble between a man and his wife.

Last April, the Communists were licked in Italy, which was, of course, a good thing. But that was only temporary—the recent developments in Czechoslovakia counter-balance Italy somewhat. How far Russia will go nobody knows. People who have traveled in Russia have come back with reports that the Russians do not have the economy necessary to support a long war, and I am inclined to think they are right. Also, Russia has already taken over control of certain countries in Europe which already are used to underground opposition to their governments. It may be that the Communists will have their hands full in trying to stamp out underground opposition in countries like Yugoslavia, Czechoslovakia, Poland, Rumania, and even the Russian Zone in Germany. On the other hand, the Russians have a very militant political philosophy and are taking advantage of a war-weary world. I am not a war monger and, barring an incident, I do not expect war with Russia at any time in the near future—but I do believe that Russia will go just as far as freedom-loving people will let her. It is very encouraging that our State Department has adopted such a firm policy in its dealings with Russia—it appears to be the only effective way one can deal with those people.

Watch Retail Sales

These are some of the things one should think about when trying to decide what to look forward to during the next few months. There are a lot of other things I have not touched on which might also give a tip-off as to the direction our economy is going. I suggest that we should watch retail trade in terms of volume and dollars, and observe how people are paying for their purchases—are they paying cash or buying on time? There are statistics published which give this information. We should watch the volume of sales by chain and department stores and mail order houses. We should watch the volume of loans by commercial banks and we should watch the volume of real estate loans and building permits. We should watch food prices, and the tip-off is how this year's crops develop—if the crops are not as good as presently expected, we will probably have a further increase in food prices which will add to the high cost of living. Perhaps the most important things to watch this year are the political developments and how the election goes. It looks like our next administration may be sympathetic toward business interests and toward controlling the previous as well as present growth of our bureaucratic form of government—all of which would be a healthy thing.

Mortgage Rates

Last year, there was more building of housing throughout the country than we have had in over 20 years, and there is a tremendous volume again in 1948—contracts the first four months of 1948 were 30% above the first four months of 1947. This large volume of building, of course, requires financing, and I understand that in certain sections of the country it is beginning to be difficult to get construction money. I suppose you are quite familiar with the fall-off in the mortgage market during the last few months. As I see it, the reason for this fall-off in the mortgage market is the old law of supply and demand starting to work, and a realization on the part of investment institutions that they had allowed the pressure of uninvested funds to cause them to pay too high premiums for loans—I am referring particularly to FHA loans. Suddenly, last fall, and early this winter, the institutions began to reduce the amount of premiums they were willing to pay. This happened all over the country and, as a matter of fact I believe this adjustment was felt more outside of New York. As you probably know, the market in New York is peculiar and has certain elements which are not characteristic of other sections of the country. The competition among the savings banks, which are limited by law as to the territory in which they can lend creates artifical stimulus, which is unfortunate. Unfortunately, I don't think much can be done about it. However, this adjustment in premiums which has occurred in the mortgage market outside of New York is healthy and, as a matter of fact, conditions in the mortgage market are approaching what they should be under normal conditions. However, there is a difference of opinion on this subject. A few days ago, one of my friends who is in a position to be prettey well informed, because of his extensive travel during the last few months stated that his observation was that there is plenty of mortgage money available at a price, but that there is a definite stiffening of rates in mortgage money. He also stated that there are some spots where there is ample housing to meet the demand but there are still plenty of locations where additional housing is needed. Shortly after that I talked to another friend, who expressed a somewhat different view—his experience was that it is hard to get construction money and to dispose of permanent mortgages. A day or two later, I talked to a banker from the Oakland area of San Francisco Bay, Calif. He stated that there is a definite firming of mortgage interest rates in that area. The interesting thing about all three of these conversations is that each one of these men felt that there is a definite increase in rates for mortgage money

Future of Interest Rates

A little earlier I mentioned the drop in bond prices last fall and winter and the resulting increase in interest rates, and stated that, in my opinion, it was too sharp and went too far. At the time, however, it was hard to realize this fact and to foresee the correction that has occurred since that time. I believe that the recent shots in the arm have merely accelerated this adjustment and it looks as if we may temporarily have a further easing of interest rates in the government and corporate bond markets, perhaps until after the election. Whether or not this will influence mortgage interest rates is hard to judge. But regardless of who is elected next November, in my humble opinion, we will in time see higher interest rates. A definite program for stemming the present inflationary tendencies must be undertaken, or our economy in time will fall of its own weight. As a matter of fact this spring we had a definite indication that this condition has been recognized by Congress—as you probably know, the proposed extension of FHA Title VI (which has not yet been passed) provides that the Federal Housing Administrator shall have the authority, at his discretion, to raise the interest rates on Title VI loans from 4 to 4½%.

One factor which may have an effect in bringing about an increase in interest rates is the tremendous demand of industry for capital funds for plant expansion and replacement of equipment which was worn out during the war. A lot of this has already been undertaken but there is still a considerable amount to be done. I recently read that the public utility industry alone may require as much as $1.9 to $2 billion for plant expansion purposes between now and 1950. There are many other industries besides the public utility which will need vast sums for the same purposes. As securities are offered for sale, to raise this capital, the law of supply and demand should probably bring about an increase in rates if the economic laws are not tampered with.

One danger that we should guard against is over-building. I personally have felt that the housing shortage has been exaggerated and has been played to a fare-thee-well, for political purposes. Unless we watch ourselves, we are going to wake up suddenly some day and find that we have a surplus of housing—in certain sections of the country and at certain price levels—perhaps that day is not too far off. If rent control were eliminated, I think it might come even sooner but, of course, the elimination of rent control at any time soon is too much to expect.

One other thing we must watch out for is what steps are taken, after the election, to curb inflationary trends. Regardless of what party is in power, such steps will be taken to correct this condition. The tampering with our economy by our economic planners—the advocates of planned economy or managed economy — could very easily put into effect measures which are too harsh and which would bring about chaos rather than a mild depressant effect. Sound judgment is needed in deciding what should be done.

Adding up both sides, the favorable and the unfavorable factors, it is my guess that the favorable outweigh the unfavorable—consequently, the chances are that we will have an environment conducive to good business for quite some time. Along with this, it is my guess that we will see a gradual increase in interest rates.

Economic Conditions and the Price Level

(Continued from first page)

clear that a strict application of the cost-of-living formula to the United States Steel Corp. would not result in any further increases since wage rates are already higher than required to compensate for increases in living costs since 1940.

Assuming that the country is still interested in avoiding further inflation, it is my purpose to discuss some of the factors that will have a bearing on the success of present efforts to bring the price level under control. I shall discuss the following subjects: (1) current monetary and banking factors, (2) agricultural factors, (3) other consumer goods factors, (4) wage factors, (5) brakes on future declines, (6) monetary and banking changes since 1929, (7) public debt and price stabilization, (8) general industrial factors, (9) agricultural differences since 1929, and (10) business knowledge.

Current Monetary and Banking Factors

Prices are bid up only as a result of demand. Under normal processes goods or services produced by a seller are exchanged for the means of buying other goods and services. Production thus creates the demand for production—and if money factors are kept constant, price level remains relatively stable.

Changes in price level which are called inflationary come about through increasing the money and credit supplies in the community. By printing more money or exchanging bonds for the right to draw checks, the government bids up prices with money and credit which were not obtained by putting an equivalent quantity of goods into the market to be purchased by others. These facts are well known to this audience, but I repeat them because I wish to emphasize that inflationary price increases can come about only by increasing the money released on the demand side of the market process without correspondingly increasing the supply of goods available for purchase.

Bearing this in mind, it is apparent that only the public can produce a further inflationary pressure during the coming months of 1948. The total supply of money and credit has remained practically stable for more than a year. The Federal budget has finally been balanced and is producing a surplus. Recent rearmament appropriations and tax cuts should not seriously affect this balance. In addition, social security taxes and other trust funds are producing additional surplus revenues which are causing repurchase of privately held government obligations with resulting pressure on bank credit. Sale of savings bonds will likewise tend to cause reductions in bank holdings of government bonds. In other words, the government is no longer bidding for goods with printing press dollars.

The credit policy now being followed by the banks, in cooperation with the Federal Reserve System, is likewise conservative. Although private deposits in banks during the past two years increased by approximately the amount that government deposits decreased, this policy of rapid expansion has now been halted and pressure is being exerted systematically to prevent the financing of excessive inventory accumulations with bank credit.

Perfect bench marks do not exist for determining the level at which inventories become excessive. Peacetime requirements for inventories in manufacturing are much greater than are wartime requirements. The wide diversity of products offered in peacetime causes larger inventories, as does the absence of governmental allocation of materials. During the war the government scheduled the flow of materials so that plants could be sure of a given supply. Now industry must carry inventories adequate to protect against all interruptions of supplies.

With the supply of money and bank credit no longer increasing, the remaining source of possible inflationary pressure is a more rapid tempo of private spending. The price level has not risen to the heights logically to be expected from the increase in money and bank credit because the public has not chosen to spend its money at as fast a rate as formerly. The increases in money and bank credit in the last 15 years have been largely offset by the public's unwillingness to spend. During the prewar period, lack of confidence caused the public to hold larger than normal idle cash reserves. During the war, high prices, rationing, and lack of goods became important factors in causing the public not to spend. As a result the turnover of bank deposits constantly decreased.

Were the public now impelled to reverse its recent habits and begin spending more feverishly, passing bank deposits and money from hand to hand without too much regard for prices, a much higher level of prices undoubtedly would develop without any recurrence of government deficit financing. However, such developments do not usually continue on a sustained basis. Rate of turnover of bank deposits has increased during the last six months, but such activity tends constantly to eliminate impatient holders of liquid funds from the markets. Such eliminations have probably added some stability to the general structure though the passage of time tends to exhaust the patience of additional holders of liquid funds. The money and credit factors then appear to be in a state of balance which permits arresting the inflationary forces.

Agricultural Factors

Turning to agriculture, which is a very important sector of the economy from a price level and wage pressure standpoint, we find general agreement that this fall will witness a return to more normal supply and demand relationships. During the last two world wars American agriculture carried much of the load of feeding the world and of providing many million additional tons of foodstuffs which were destroyed in war actions. Only bad weather conditions delayed a return to more normal relationships in agriculture last year.

With the return of war areas to production and the elimination of war losses, agricultural production will fast replenish the depleted world stocks of commodities. Present prices are above support levels in major commodities; consequently, artificial controls do not forecast either higher prices or the maintenance of present prices. Much of the existing agricultural price support legislation expires Jan. 1, 1949. It is understood that new legislation of some sort is being drafted and may be passed in some form. However, present indications do not presage a high price level support program in face of the pressure of world production toward lower prices.

Other Consumer Goods Factors

Generally speaking, some of the manufacturing pipelines, according to reports, have been fairly well filled. Consumption goods have largely shifted from a strong sellers' to a cautious market, or are on the verge of such a shift.

Textiles, clothing, hides and leather, shoes, and other wearing apparel are now definitely in considerable supply. Purchasing for the armed forces may offer some stimulation to production and prices; but such purchasing will hardly be of such magnitude nor should it deplete the market for a sufficient period of time to create the marked civilian shortages that the long war period caused. This sector of the economy appears to be approaching a supply position which will permit price brakes to be applied.

Radios, household electrical items, and household furnishings have likewise been in more plentiful supply. Some declines in prices and production are in evidence. Pipelines are reported to be reasonably full.

Rubber tires and other rubber goods have already been produced in such substantial volume that working schedules in some cases are reported to have been relaxed, and some price reductions have been made.

Strong factors in the immediate situation are the automobile and residential construction industries. However, these industries supply goods for which the demand is somewhat elastic; for example, in spite of the present acute housing shortage, people can actually continue on a doubled-up basis despite the resultant inconvenience. In the light of present conditions, therefore, these industries are unlikely to feed seriously the flames of inflation.

Summarizing these factors, it would appear that the chances of arresting the steep rise in the cost of living are good. It is true that many crops will not mature until Fall and that the easing of price pressures may consequently be retarded for some time; but the general factors seem favorable to arresting the inflationary trend.

Wage Factors

We have already touched upon the conservative approach of industry to further wage increases. Such increases are important from a price standpoint in two ways: (1) they may, if financed by credit, increase demand for available goods; and (2) they may by increasing costs result in further price increases in the industries which grant them when supplies of goods are short. Industrial costs have edged up to unprecedented heights. Only with large volume production can industry make profits. Considering that recent volumes of production contain production to fill empty supply pipelines as well as to meet current needs, industry must keep in mind the impact of balanced supply conditions on future costs. As overhead is spread over smaller volume, profits fall rapidly. It is for this reason that I believe the wage rise must level off and that future rises must be predicated on increases in labor productivity.

Brakes on Future Declines

For several years the public has evinced some jitters concerning a possible sharp recession when the price level finally halted its upward sweep. The precipitate declines of 1920, 1929, and 1937 are still fresh in the minds of many of us. Because of these fears it may be worthwhile to point out that the economy of today differs importantly from that of these prior periods.

Monetary and Banking Changes Since 1929

For example, it may be well to point out certain fundamental changes which distinguish the present bank credit situation from those which existed in 1920 and in 1929. Such comparisons are of interest because a substantial part of the sharpness of the readjustments following the 1920 and the 1929 boom periods was traceable to forced liquidation brought about by contraction of bank credit.

Today bank deposits are generally insured. This fact will prevent the type of bank runs which, in recessions of the past, caused banks to seek liquidity by discontinuing sound loans and thereby forcing strong holders to liquidate at any cost. Further, a large part of the bank deposit structure is based upon federal securities which cannot be repaid on the same scale that private loans have been liquidated in the past. For these reasons the money and credit supply which is supporting the present price level is basically more stable than that which existed either in 1920 or in 1929. These unprecedented elements of mass credit stability in turn provide elements of stability for both prices and business.

Public Debt and Price Stabilization

When price level changes, many elements in the economy adjust to take account of changed relationships. After such adjustments are made, further changes tend to require further adjustments; and even though a trend is reversed and various factors tend to push adjustments toward the original starting point, such adjustments are painful and cause dislocations comparable in severity in many respects to the adjustments made when the factors were moving in the previous direction. Because of the impacts of different factors, there is a tendency to shun adjustments wherever possible. The present levels of national income, prices, and public debt do not appear to be exceptions to this general tendency to oppose change. Today there appears to be little disposition to reduce the federal debt drastically; in fact there is much more sentiment for tax reduction than for debt reduction. Such management of the public debt operates to continue a large amount of bonds outstanding and these in turn tend to prevent reduction in the amount of bank deposits. Hence this resistance to debt reduction constitutes a factor which will tend to limit the amplitude of any downward fluctuations in prices.

General Industrial Factors

Another factor of difference between the present situation and those of 1920 and 1929 is the period of time over which differential adjustments in the economy have been taking place. The tremendous destruction and wear and tear which the war imposed upon European heavy industry have produced sustained demands on certain heavy industries in this country. These demands have provided a high level of employment in a large sector of the economy at a time when other industries have been rapidly catching up with the war-created shortages. Supply pipelines have already been filled in many American consumer industries, and those industries have adjusted their positions to more normal prospects while other industries were sustaining the postwar boom. These industry-by-industry adjustments have enabled inventory situations to be adjusted and labor surpluses to be shifted with a lack of disturbance unparalleled in previous boom periods. It is to be noted that these adjustments have taken place while both businesses and individuals, with, of course, notable exceptions, have maintained relatively strong liquid positions—positions which always facilitate orderly adjustments.

Agricultural Differences Since 1929

One of the main points of difference between the agricultural factors in the present boom and those in past booms is that farmers have held their debts to much more conservative levels than in the past and hence their credit positions are basically stronger. Further, the level of farm prices is so high that even with a substantial reduction in prices the income level of farmers would still be attractive.

The continuation of the food crisis for so long after the war was traceable to droughts as well as to the effects of the war. Currently the food situation is in easier condition, as are also many non-food agricultural products. Basically the supply and demand factors in this area of the economy are not much changed from previous booms except for governmental price supports which are now in process of restudy by Congress. Such supports will be of considerable significance; but that significance will, of course, be conditioned by the legislation actually enacted.

Business Knowledge

In conclusion it might be well to mention that we have learned much in the past 20 years concerning the conditioning of upward and downward movements both of prices and of industrial production. Resources of teamwork and general business administration are quite as important as physical resources in dealing with business trends, and these resources have been increased immensely in recent years.

These factors, namely, (1) stability of bank credit, as influenced by stability of public debt, deposit insurance, a reasonable tempo of private spending, and conservative administration of bank loans; (2) completion of business adjustments in numerous lines while the boom was in progress; (3) governmental supports for agriculture; and (4) increased business know-how with respect to the national economy, constitute significant differences from the conditions which existed in 1920 and 1929.

Conclusion

Such is the picture as I see it. I believe that economic influences to end the inflationary spiral are in operation and that the spiral will end without the severe repercussions that characterized 1920 and 1929.

Directors Elected for Chicago Stk. Clearing Corp.

CHICAGO, ILL.—At the Annual Meeting of the Stockholders of the Chicago Stock Clearing Corporation, wholly owned subsidiary of The Chicago Stock Exchange, the following Directors were elected for the ensuing year:

James E. Day; Raymond M. Day; Thomas L. Dowd, Clement, Curtis & Co.; Norman Freehling, Freehling, Meyerhoff & Co.; Glenn L. Fornell, Merrill Lynch, Pierce, Fenner & Beane; Robert H. Garrett, Northern Trust Co.; Edward J. Jennett, First National Bank; Harold I. Kramer; Herbert Levy, Paine, Webber, Jackson & Curtis; Arthur G. Lilly, Paul H. Davis & Co.

Mr. Garrett and Mr. Fornell are newly elected members of the Board.

At the initial meeting of the Board, the following officers were reelected to serve for the coming year:

Harold I. Kramer, President; Raymond M. Day, Vice-President; George J. Bergman, Secretary; Walter R. Hawes, Treasurer.

Miss Evelynne Tortorell was appointed Assistant to the President, and the following were appointed to serve as the Executive Committee: Herbert Levy, Chairman; Arthur G. Lilly; Harold I. Kramer.

Farr & Co. to Admit

Farr & Co., 120 Wall Street, New York City, members of the New York Stock Exchange, will admit Emmet Whitlock to partnership on July 1.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Prices of government securities gave more ground as investors and traders continued to make preparations for the coming offering of Savings Bonds. . . . Quotations were lowered on very light volume because those interested in the government market seem to prefer a sideline position until there is clarification of the effects of the impending financng upon prices and yields of Treasury obligations. . . . Bank investors have been inclined to move into short-term issues, whenever it has been possible to do so, without giving away too much in the longer term obligations that were being disposed of. . . . Traders and dealers that are on the heavy side in the more distant maturities are evidently letting these issues out, when sizable bids have appeared. . . . It was also reported that offering of the longer term issues were being made by some of the "professionals" at quotations that were under those generally prevailing in the market. . . .

DOWN HILL

This combination of increased reserves and new offering of Savings Bonds has taken the government bond market for a whirl on the downside, with some of the ineligible issues so close to pegged prices, that the monetary authorities may end up on both sides of the market, so to speak. . . .

On the one hand they may be buying government securities in the open market in order to stabilize quotations, while on the other hand, the Treasury will be selling Savings Bonds to institutional investors, in order to raise money. . . . The funds that would be used to support prices of outstanding marketable obligations, will not help cash resources. . . .

MISSED THE BOAT

Timing is of the utmost importance in any financing operation and there is considerable support for the opinion that the monetary authorities may have again missed the boat in making an offering of Savings Bonds at this time. . . . The market was recovering nicely from heavy liquidation that had been going on in long-term securities and there were signs of strength in the more distant maturities. . . . Confidence was returning so that investors were venturing into the higher income securities. . . . Talk of higher short-term rates stopped this uptrend, but before the market knew what was going on, the Treasury decided to keep near-term rates low. . . . Naturally this pushed prices of the larger income long-term bonds up sharply. . . . Then, out of the blue came increased reserve requirements for member banks in New York City and Chicago. . . . This checked the demand for the longer maturities. . . .

Almost on top of the larger reserve requirements came the offering of Savings Bonds, before the market had time to regain its equilibrium. . . . This raised the question among followers of the money markets as to why the new financing should come so soon, since the Treasury seems to be well supplied with cash? The largest peace-time surplus in our history does not appear to indicate an urgency for new money. . . .

MARKET ON THE DEFENSIVE

To be sure, inflationary forces have been strengthened by recent rises in wages and prices as well as increases in installment and real estate loans. . . . But will the amount of funds that the Treasury obtains from the sale of Savings Bonds have a retarding influence upon the forces of inflation? Will the purchases of $1,000,000,000 or slightly more of Savings Bonds bring about lower wages or prices? Will it stop the demand for real estate or installment loans? **It has, however, put the government market definitely on the defensive and this could result in purchases again by the monetary authorities of outstanding obligations, because holders are again scared that prices will go down to support levels. . . . This could bring in sizable liquidation. . . .**

Whether financing by the Treasury at a later date, would be more favorable to the government market is anyone's guess. . . . Nonetheless, there are many followers of the money markets who believe that with a stronger technical position which would have come about in the near future, there would have been less effect upon prices of Treasury obligations, if the new financing were undertaken at that time. . . .

MORE LIQUIDATION PROBABLE

Bids in not too sizable amounts have been appearing from savings banks in the ineligible issues, as they moved down in price. . . . It is not expected howeved that this interest will broaden until there are signs of price stabilization. . . . Insurance companies have been sellers of Treasuries in order to make room for private placements and corporate bonds. . . . More liquidation is anticipated from these institutions. . . . The corporate bond market is none too healthy while the municipal market continues to pile up inventory. . . . Both of these are having an influence upon the government market.

Oscar H. Riggs Joins Laird, Bissell, Meeds

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, announce that Oscar H. Riggs has become associated with the firm.

Mr. Riggs was formerly a partner in Dreyfus & Co. and its predecessors and prior thereto was a partner in A. M. Kidder & Co. and Faroll Brothers.

With Camp & Co.

PORTLAND, ORE.—James M. Renton has been added to the staff of Camp & Co., U. S. National Bank Building.

Red Rock Cola (Conn.) Stock Offered by Baren

William S. Baren Co., New York, on June 23 publicly offered at the market 320,000 shares of common stock (par 10 cents) of Red Rock Cola Bottling Co. of Connecticut, which is engaged in the manufacture, bottling and distribution of carbonated beverages. The net proceeds will be added to working capital and used for the payment of operating expenses.

Joins E. F. Hutton & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Charles F. Crary has become affiliated with E. F. Hutton & Co., 623 South Spring Street.

Rearmament and the Money Market

(Continued from page 15)

whether price and wage control and rationing of consumer commodities would be workable in peacetime. Without the patriotic fervor existing in wartime there is a serious danger that rationing might lead to a return of the black market, with all the economic and social evils that such a development entails.

(4) Finally, huge military expenditures, particularly if accompanied by a substantial increase in the number of men in the services, would further accentuate the labor shortage and hence the volume of products available for civilian consumption.

No layman is in a position to tell how large military expenditures should be. This must, of necessity, be left to the military advisers of the government. It is to be taken for granted that military security comes before all other needs. What the layman may ask, however, is that in view of the serious inflationary conditions already prevailing, every penny spent for military purposes be used where it will do the most good and that all possible economies be made in the other expenditures of the Federal Government.

It should not be overlooked that military expenditures of $20 billion and more per annum would have an entirely different effect on the economy than the rearmament boom which started in 1941. At that time the country still had a large number of unemployed and considerable idle plant capacity. The rearmament boom therefore led to the full utilization of all resources of the country and caused increased production. Under present conditions a substantial increase in output does not seem to be possible, and hence the imposition of a rearmament boom on top of the existing civilian boom could have entirely different results. It should also be remembered that the price and wage level today is quite different from that which existed in 1941, and that the public debt is now far greater than in 1941 and the means of payment, in the form of demand deposits, currency in circulation, is vastly larger than in 1941.

It may, therefore, be concluded that under the first assumption, i.e., if military expenditures exceed considerably the amount at present envisaged, either we will have more drastic inflation than we have witnessed up to now or very rigid controls will be imposed on the economy. The effects on the money market will depend on whether those in charge of the country's economy will prevent the present inflationary conditions from becoming aggravated or whether drastic controls will be imposed. In the first case, it may be expected that Congress will grant the Board of Governors the power to raise reserve requirements. It might also be expected that as prices and wages increase the demand for working capital on the part of industry will increase and hence money rates will go up. But even under the worst circumstances a repetition of what happened in the money market in 1920 is entirely out of the question.

If, on the other hand, the legislators should decide to impose controls on the economy, then undoubtedly restrictions would be put on consumers' and real estate loans. It is also possible that Congress might grant to the Board of Governors of the Federal Reserve System or to the Federal Open Market Committee additional powers to regulate qualitatively the flow of credit and of capital. Under these circumstances, no particular change in the money market is likely to take place since credit and capital may be allocated according to the needs of the Government and of the national economy.

Let us now consider assumption Number Two, namely, that military expenditures will not exceed $14 to $15 billion and that economies will be effected in the other expenditures of the Federal Government. In that case the economic consequences will be entirely different from those just outlined. Before March 17, when the President declared that it would be necessary to increase military expenditures and before the tax reduction and the European Recovery Program laws were passed, it seemed evident that a readjustment in the economy of the country was in the making. A sharp decline in prices of farm products had taken place. Business in some consumers' goods industries, such as textiles and shoes, etc., became spotty. In some durable consumers' lines, notably electric refrigeration, supply began to catch up with demand and inventories rose rather sharply. Moreover, the country's productive capacity was increasing and slowly but steadily the economic void created during the war was being filled. Under those circumstances, and particularly in view of the tightening of credit and the moderate increase in money rates, there was justification for assuming that the spiral of inflation had reached its peak and that a moderate downward readjustment was under way.

The announcement by the President that the military might of the country would have to be strenghened, the passage of the ERP and the tax reduction bill changed the business outlook materially. It became evident that these developments would provide a substantial cushion against any decline in civilian demand that might take place and that the readjustment was again postponed for an indefinite period of time. Hence, if military expenditures are kept below the $15 billion mark, the only important economic consequences will be that they will tend to cushion any decline in business activity that may take place. In that case while it may be necessary to allocate certain basic raw materials there will be no need to impose drastic controls over the economy as a whole. Although government expenditures would increase and revenues decline, the deficit of the budget under these circumstances need not be very large. In fact, the Treasury might show a cash surplus derived from the revenues of the various government agencies and from the excess of sales of Series E, F and G bonds over redemptions. Thus, it would be unnecessary for the Treasury to borrow again in the open market. On the contrary, the surplus cash could be utilized to redeem maturing obligations held by the Federal Reserve Banks, thereby reducing the credit base of the country and preventing a further expansion in the volume of bank loans and investments. Under these circumstances, and particularly if commodity prices tend to flatten out, there would be no particular need for new legislation to increase the powers of the Board of Governors of the Federal Reserve System over the money market or for further retrictions on credit.

The economic consequences of only moderately increased military expenditures, therefore, would be to prevent a decline in business activity and prices, to keep employment at a high level and to assure a large national income. The monetary consequences of such a development can also be visualized. The most that one might expect in the money market, briefly, is the following:

(1) The possibility of a further increase in the reserve requirements of the New York and Chicago Federal Reserve Districts, thereby bringing them to the limit of 26%.

(2) An increase in the certificate rate from 1⅛ to 1¼%. While these measures could have a moderate psychological effect on medium- and long-term government obligations, this long-range effect would be insignificant.

The net effect would merely be a narrowing of the spread between short-term and long-term government obligations. An increase in the certificate rate to 1¼% undoubtedly would be followed by an increase in the discount rate and a further rise in the over-the-counter rate, but in these cases also the increases would be moderate and would still leave the country with relatively low money rates. Another development that might be expected is a moderate firming in rates on corporate obligations. This particularly is likely to take place after the insurance companies and savings banks have invested the proceeds of the sale of their government obligations. Once this operation has been completed and the insurance companies and savings banks are merely confronted with the task of investing current income, then the pressure on the corporate market will not be as great as it was during the last three or four months and a moderate increase in yields and a corresponding decline in prices of corporate obligations is likely to take place.

Conclusion

The increased military expenditures have created a new element of uncertainty in the economy. Only the military experts can express a sound opinion as to how large these expenditures should be. At the same time the fact should not be overlooked that while materially increased rearmament outlays will strengthen the military might of the United States, they could at the same time materially weaken the economic structure of the country. Business activity, even before the added military expenditures are beginning to be felt, is already at a high level. Employment is plentiful, wages and prices are high and there are still shortages in many lines. To add a military boom to the present civilian boom could lead either to an acceleration of the spiral between prices and wages, which in the end would be bound to lead to serious economic difficulties, or to the imposition of rigid controls and additional tax burdens. None of these developments is desirable.

Hence, if military expenditures must be large, it is of the utmost importance that the government adopt a policy of extreme economy in all other fields and that rearmament be handled in such a manner as not to unduly over-tax the economy. Military strength obtained at the cost of an inflationary boom, followed by a serious depression, would provide no security to the United States.

If the military expenditures do not exceed $14 or $15 billion and are carefully handled, and particularly if economies in other branches of the government are achieved, this factor, plus the reduction in taxes and ERP, will merely cushion any material decline that might set in later on in the year. The responsibility resting on the government and the Congress is exceedingly great because under present conditions a rearmament boom would have entirely different effects from those which developed in 1941.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Politics will dominate market picture for next few weeks. Sitting tight is good plan for time being.

* * *

Anything that happens this week will probably be tied to the National Convention. There'll be the usual talk and the usual viewings with pride and pointing to with alarm. The market will open at ten and close at three and warnings about inflation will be sounded by various sources from time to time.

* * *

What to do about all this is sit still and watch. This sounds like a platitude. Yet it's not easy to sit still while people around you are doing things.

* * *

Last week the market went up and everything looked higher. This week the picture has reversed slightly. It isn't that they don't look higher as much but they have kind of drifted away from the tops. The bullish talk still persists but the active buying that accompanies it, hasn't. One reason is that the political picture is, for the moment, more important than the tape. And speaking about the political picture there is considerable more disquiet in upper brass than you read about in the paper.

* * *

This feeling is translated into market action, or rather the lack of it, as reflected in a comparatively dead tape. There isn't much one can say about a market which is quiescent. True, its longer term implications haven't changed. They're still higher; but the shorter term outlook is clouded. And short term indications have a bearing on the long range picture.

* * *

The refusal of Congress to maintain the reciprocal tariff isn't good. The international possibilities jammed behind this piece of legislation have implications that can break our stock market without too much difficulty.

* * *

The other side of the picture is inflation. Its outlook is equally as explosive. Warnings, however, have been so long and so varied, that I doubt if it will have any real weight in the immediate future.

* * *

Summing it up, it means that additional buying for the time being might well be postponed. You now hold about six stocks. They're all in the black and in some you've converted half your paper profits into actual cash. Adding to them at present doesn't seem like a smart thing to do. So just hold on keeping in mind the stops which have been given you from time to time.

* * *

If the market goes higher your stocks will do the same. If it goes lower, the stops will partially protect your profits. For a resume of the stocks in the list, I suggest referring to last week's column.

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Cuban Bonds Drawn For Redemption

Republic of Cuba, through Reinaldo Fernandez Rebull, Consul General of Cuba, is notifying holders of its External Loan Thirty-Year Sinking Fund 5½% Gold Bonds issued under loan contract dated Jan. 26, 1923, that $1,333,300 principal amount of the bonds have been draw by lot for redemption on July 15, 1948, out of moneys in the sinking fund, at 100% of their par value and accrued interest to the redemption date.

The bonds drawn for redemption will be paid at the office of the fiscal agents, J. P. Morgan & Co. Incorporated, on or after July 15, 1948, after which date interest on the drawn bonds will cease.

Gerstley, Sunstein to Admit New Partners

PHILADELPHIA, PA. — Gerstley, Sunstein & Co., 213 South Broad Street, members of the New York and Philadelphia Stock Exchanges, will on July 1 admit to partnership Louis Gerstley, Jr., Thomas J. McCann, Joseph Oberndorf, Bernard H. Tobias, and Laurence A. Wachtel. Mr. Tobias is in charge of the firm's trading department; Mr. McCann is statistician.

Wm. Croom V.-P. of First Securities Corp.

DURHAM, N. C.—William D. Croom has been elected a Vice-President of First Securities Corporation, 111 Corcoran Street.

Mr. Croom joined the firm in 1947. He was formerly associated with MacDaniel Lewis & Co. of Greensboro, N. C., and with Kirchhofer & Arnold, Inc., of Raleigh, N. C.

A Republican Party Program

(Continued from page 11)

many years. When Wallace departed, it begged him to return: Henry, come home and all will be forgiven. The merry men of Wallace were not fired. They quit. That the New Deal party was never a legitimate majority is now proved by the fact that it cannot win without them. Its dying hope is, win without Wallace. Our answer is, it couldn't win with Wallace.

Indeed, the great flop of the recent western invasion has made it clear that the New Deal can't win with Truman. Let me add that they can't win if they drop Truman. For whatever candidate is nominated by the Democratic convention here next month must run on the New Deal record, which now is discredited by the American people.

Human institutions have human faults. The Republican party is a human institution. But it has never harbored anything like the motley collection of embittered failures, back alley revolutionaries, and parlor anarchists with which the New Deal has disgraced the party of Jefferson and Jackson.

That group of crackpots was never competent to hold responsible office. The lunatic fringe is neither competent to govern nor to let others govern.

For 16 years the Republican party was out of the control of Congress. It earned the right to return to that control two years ago.

For 16 years it has been excluded from the executive branch of the government of the United States. The Republican party has earned the right to return to the Presidency.

The Republican party's vitality and integrity were shown again in those years when defeats drove it back to the county line. But it did not stay there. The Republican party was not founded to elect sheriffs. It was founded to elect presidents.

Return of Republican Party

The Republican party began its return by giving clean government in small cities and communities. It recaptured the governorships of many states 10 years ago, and because it gave competent government, it won repeated reelections in those states.

It slowly regained its influence in Congress. Finally, two years ago, it was restored to power in both the Senate and the House. It made promises then. And it kept those promises.

It has administered its trusts with integrity and efficiency. It has been a faithful steward in lesser things. It has earned the right to greater things. It has the stuff it takes to serve a greater America.

We ask only to serve. We say to the American people: rebuke us when we fail, give us measure for measure what we deserve. But let us serve as Americans should be served.

Republican Congressmen promised to free American economy from regimentation, and they did it. They restored both the fact and the good name of American free enterprise.

Republican Congressmen promised to balance the budget, and they did it. They promised to reduce Federal spending, and they did it. Over the outcries of bureaucrats they cut between two and three billion dollars from New Deal bureaus.

They promised to reduce Federal income taxes, and they did it. They did it over three Presidential vetoes. They promised to increase the take-home pay of the head-of-the-house in every American home, and they did it. The New Dealers opposed the tax cut on the false ground that more money in the people's pockets would increase spending and inflation. We Republicans believe that more money in the people's pockets is good for the people and good for the country.

We know that more take-home pay is the first concrete help given the American people to meet the high cost of living. The second is increased production, resulting from the stimulation which the tax cut has given to investment and enterprise.

In 1946 the Republican Party promised to correct the chaotic conditions in labor relations which were paralyzing American production and recovery. They did that, too.

The Republican Congress relentlessly has exposed waste, inefficiency and corruption in the Federal Administration. Its investigations uncovered the scandals of the Meyers aviation contracts and the Pauley grain deals.

The American people owe a great debt to the 80th Congress. It has restored faith in representative government.

The Republican Party was created nearly a century ago to stop the spread of slavery in America. It vindicated that principle. When it takes office in 1949, the heart of its foreign policy will be to check the spread of slavery in the world. It will vindicate that principle, too.

We learned, long ago, that the way to stop slavery is to build more freedom. That is what we propose to do at home and in the world.

Losing the Peace

Today, tonight, America is losing the peace. The blood and treasure which we so willingly gave are being wasted by confused and incompetent foreign policy.

We fought for justice and freedom, but almost a dozen nations have lost their freedom, and millions of men and women have been despoiled of their property, robbed of their liberty, driven from their homes or murdered in cold blood. In a rich world, Europeans and Asiatics are facing starvation. Civilization itself is crumbling in nations which over the centuries have been leaders in culture and progress.

We fought to end dictatorship but despairing peoples are bowing to tyranny because they can find no hope in liberty.

We fought to make America safe from attack in the Pacific Japan is crushed but Russia holds the Kuriles and northern Korea, dominates Manchuria and literally has the power and position to endanger Alaska and the Pacific Coast.

We fought to remove the threat of war from the American home. Now the young men who won the war and their younger brothers face a new call to arms.

The truth is that New Deal diplomacy threw away victory long before our fighters had won it. It permitted the Russians to take Berlin. At Teheran and Yalta one New Deal President agreed to Russia's domination of Poland and much of China. At Potsdam, another New Deal President confirmed the Soviets' domination of the satellite countries and their sole right to occupy Eastern Germany and Eastern Austria.

Their futile policy of appeasement of Communist Russia set back the clock of Polish freedom two centuries and paved the way for the destruction of the Republic of Czechoslovakia. Their political maneuvering with the Palestine issue, their failure to insist upon the fulfillment of long standing pledges, was a tragic farce which culminated in war and bloodshed.

What will history say of this wholesale record of bad judgment? History will say that the inept leadership of two Presidents permitted Russia to slash Europe in half, prostrated European economy, imposed upon America the burden of supporting Western Europe, and lost a us a stable peace.

The cold war we face today is the lusty child of the New Deal's rendezvous with Communism. That rendezvous began with recognition of the Soviet in 1933. It continued with the socialistic compromises with Communism preached by Henry Wallace and the vote-catching compromises engineered by Harry Hopkins. It reached its tragic climax in those years when we supinely suffered Communism to master half of Europe.

The New Deal cannot escape this indictment by double-talk about a bi-partisan foreign policy. The Republican party was not present at Teheran, Yalta or Potsdam.

Real bi-partisanship shares the making of decisions as well as the meeting of the consequences. The New Deal's idea of bi-partisanship is that one party launches the ship and the other salvages the wreck. It is high time to make this fact clear. On the rare occasions when Republicans have been consulted, blunder and disaster have been avoided.

A Definite Foreign Program

The Republican party has a very definite program for an American foreign policy. That program was creater at the Mackinac Conference in 1943 and confirmed in our platform in 1944. It is a simple and clear pledge to work for a lasting peace based on justice and freedom and to preserve the strength of America. We adopted the Atlantic Charter —that abandoned waif, forsaken during the New Deal's tryst with Communism.

The Republican party in Congress has supported its own principles of international cooperation in full measure. Republicans helped to create the United Nations, and have done their best to make it work. Republican Congressmen voted funds for foreign relief and recovery because they wanted to check the spread of Communism and to aid freedom in Europe.

Our next step to save the peace and to achieve the goals of Republican foreign policy is to elect a Republican President of the United States.

A Republican President will man the State Department with personnel who will make our diplomacy respected in every corner of the world. It is an old and tried Republican tradition that American influence shall be felt wherever America has a legitimate duty in the world outside our gates. It was Lincoln's Secretary of State, William H. Seward, who held off European intervention in our Civil War. It was a Republican, Seward, who reaffirmed the Monroe Doctrine in Mexico where foreign despots had seated Maximilian on a paper throne. It was Lincoln's Seward who saw our great stake in the Pacific and who purchased Alaska and sought the annexation of Hawaii.

It was another Republican Secretary of State, James G. Blaine, who originated Pan-Americanism and who created the policy of reciprocal trade.

It was a Republican President and Secretary of State who made Hawaii a part of this nation and an outpost of defense in the Pacific. It was a Republican Secretary of State John Hay who opened the doors to China. It was a Republican President and Secretary of State who tried to check Japanese aggression at its outset in 1931.

These are not the marks of a timid foreign policy. They are the wise tradition of a nation growing in world-wide influence.

Seward, Blaine, Hay, Root, Hughes and Kellogg—these were the makers of real American world policy. Merely to recall them is to blast the New Deal falsehood that the Republican party is timid or provincial in its foreign policy. It is the New Deal party's retreat before the Iron Curtain in Europe and Asia which threatens to isolate America.

The Republican party proposes to restore the respect and confidence of the world in American diplomacy.

Intelligence and firmness in the right, as God gives us to see the right, can yet save the peace and answer the prayer in which the whole world joins.

We shall not deceive you, as did the Democrats before two world wars, by crying peace when there was no peace. We not only hate war, but we shall do nothing to provoke war. Rather, we shall pursue every avenue to peace. We make in this convention a real covenant for peace.

Meeting Challenge of Communism

With our best will and our best skill we must meet the challenge of Communism. Communism is a world-wide infection of false doctrine. It grows upon darkness and poverty and hunger. Our defense at home and abroad is not in arms alone, but in every means that builds for freedom and human welfare, or that propagates the truth concerning economic well-being and personal freedom under our Republican form of government.

Our best answer to Communism will be a sound America, in which all the people shall enjoy the prosperity produced by our free economy, and which shall offer effective cooperation to free men throughout the world. A Republican President will provide that answer. He will provide it in the honest and efficient administration of our domestic affairs and in the management of our foreign relations.

The Congress has voted a European Recovery Program because it believes that the free nations of the world can grow in strength and unity—so that they can defend and support themselves. This is an expensive plan and we have a right to expect a real return on our investment—a real return in peace and security. It must not be merely a continuation of lend-lease and give.

Such a plan requires sound principles in its administration. Certainly it should be no refuge for fugitive payrollers from New Deal bureaus which have been abolished by Republican economy.

Above the administrator of that plan, and above the Secretary of State, there is crying need of a chief executive who had administered something more than a county board of supervisors under the shadow of a corrupt political machine.

Speed and efficiency are absolutely essential to the success of our European aid. We cannot permanently support the world. Our task is to put the world on its feet, and not on our back. Atlas, who was said to support the world, is still only a myth.

The great but limited strength of America is not a myth. It must be constantly built up at home, and it must not be over-extended abroad. Upon that strength depends the peace and security, not only of the world, but of the United States of America.

The New Deal administration has failed to preserve that strength. It has neglected the fundamentals of defense, despite the willing appropriation of billions by a Republican Congress. It has surrendered supremacy in the air. It has neglected the acquisition of sea and air bases in two hemispheres which are essential to our safety. It disbanded an army-in-being before it planned an army-to-be.

It has had little to suggest in meeting new emergencies other than new plans to shackle and regiment American business. It can never learn that only an unregimented economy can be strong, and only a strong economy can keep us free.

The New Deal administration has been a tragic failure in labor relations. Again and again it has blundered to the very edge of national paralysis and then has had no solution except government control.

A body of law does not grow in a day. In many of the relationships in economic life, such as those between buyer and seller, lender and borrower, shipper and carrier, it took generations to build mutual respect and stability on a basis of law.

Labor Relations

Labor relations present a new challenge. The cardinal principles of industrial peace are high levels of real wages, continuity of employment, efficient mass production, health and security in employment, full protection against monopoly in any form and a free market for goods. Upon these principles we can build the ultimate temple of industrial peace—big enough for labor, management and ownership working together for a greater America.

The present Republican Congress has made a real start toward labor peace by enacting the Labor Management Relations Act of 1947. The door is open—and the door must be open—to the full consideration of every criticism of this law, and every proposal for its change which may come from labor, from management, or from the public. Whatever changes may be made in its provisions eventually, this Act will stand as a proof of the courage of its sponsors and the willingness of the Republican party to deal fearlessly with every vital problem.

The President we choose here, and the next Republican Congress, will proceed to deal fearlessly and concretely with every problem confronting America. They will meet the fundamental needs of American farmers and American consumers for the conservation of the fertility of our soils, for the production and control of surpluses of basic food crops, and for the maintenance of the prosperity and buying power of rural America, which is always the barometer of our national prosperity.

What Republican Leadership Will Do

The Republican President and the Republican Congress will deal realistically with the problems of housing, of the strengthening of social security, and of the full protection of the public health without resort to the dreary and inadequate regimentation of state medicine.

Republican leadership will discharge, as fully as a great nation can, our tremendous obligation to our veterans. We shall never seek, as the New Dealers did in 1933, to achieve economy by voiding or trimming our payments to sick and disabled veterans. Rather, we shall seek constantly to give all veterans new and greater opportunities to build happy and useful lives.

Republican leadership will carry out the mandate of the people to end the pampering of Communists in America. We shall ferret out and drive out every red and pink on the Federal payrolls. We shall guard carefully the freedom of speech and thought of every American, but we shall expose every subversive individual and organization. We shall change the social climate which has permitted foreign exponents of Marxism to bask in the profitable sunshine of publicity while they abuse our American hospitality.

The Republican President we choose here will believe in the sound principles of efficiency and economy which the Congress has espoused. He will conduct a thorough examination of every department, agency and commission; he will remove every payroll parasite living off the taxes paid by American producers; he will free the American people from the costly burden of the New Deal bureaucracy.

The Republican President will live by the Constitution. He will live by its letter and its spirit. He will not try to circumvent it by tricks or strategems or secret deals with foreign powers. He will respect the Constitutional powers of the Congress; he will never tamper with our courts.

Under a Republican President we shall restore to our local and state governments their rightful authority to exercise the home rule which has always been the cornerstone of our liberties.

Above all, Republican leadership will preserve the freedom and initiative of our American economy. It was the good fortune of Americans to find a country rich beyond measure in resources. Americans on a virgin continent achieved a civilization, and agricultural and industrial production, a general distribution of wealth and well being, a standard of health and education, and emancipation of women, an openness of opportunity, which have never been equaled in the 6,000 years of the world's recorded history.

It is for the Republican party to realize, to point out, that America is only at the threshold of its material destiny, the foothills of its glory.

Our party and our government have been an effective part of that development. The westward march of progress goes on from frontier to frontier. We must further the expansion of industry in the West, in building a great commerce in the Pacific, and in promoting the prosperity and usefulness of the resources of our territories of Alaska and Hawaii, now on the threshold of statehood.

The triumphal march of inventive genius must proceed. In the half century of my own lifetime the daily life of every American has been enriched beyond comprehension by the miracles of the laboratory and the inventor's attic.

Let us not forget that these achievements have not been the products of an overpowering government. They have taken place under economic freedom. No Socialist or Communist government has produced anything even relatively comparable.

These productive marvels are not the mere windfalls of the fortune that gave us great natural resources. Nor are they the products of a superior mind or race. They are the products of honest work, of devoted service, of thrift, energy, courage and faith.

And all we have accomplished can be just a sample of what is ahead. The inventions, the processes, the formulas we learned in war can be made to serve mankind in peace. Particularly the science of nuclear physics, which produced the atomic bomb with its fearsome possibilities of world destruction, offers hope for tremendous progress in our quest for new sources of power, and in our endless war on disease.

The results of our inventions and research are the visible fruits of American character. But a national character is made of more than material achievements.

We have built standards of justice. We have learned to live together. We have all but obliterated the harsh lines of class. We have learned to respect virtue and ability wherever they may be.

Our Republican leadership will strengthen the character of America. Its program will give new meaning to the Bill of Rights. It will replace the New Deal's shadow-boxing on the issue of civil liberties with sound measures to make America, more truly than ever before, the happy land of opportunity.

Parties Are Servants, Not Masters of People

A political party should be the ever-sensitive channel through which the will, the hopes and the ideals of the American people direct and control their government. A party is what the ether is to the radio, the power line to electrical energy, the ocean to seagoing commerce. Unlike the single party system of Communism or Fascism, American parties are the servants, not the masters of the people.

The Republican party of 1948 in this convention is well aware of that principle.

It should seek—it should always seek—the true answer to this question: What have the American people a right to demand of their government?

The answer of our party to this question should not be an effort to please all. That answer, in the long run, pleases none.

We can find the true answer in the best qualities that men have a right to expect of themselves. What are the things that make a man's life worth while?

Years ago, a great American spiritual leader answered this. He laid down three essentials of a philosophy of life.

He said that the things worth while in a man's life are character, influence, and happiness. To be what we ought to be, to count as we can, to enjoy what we may—these, he said, are really worth while.

These can well be what the people expect of their government. For a nation is many men. Its character is the best there is in all its people. Its power is their cemented strength. Its happiness is their happiness. Its destiny is their destiny.

Let us, therefore, expect of our government these three personal essentials: character, influence, happiness.

We begin with character. The very core of a government should be honesty and integrity. Is it true to itself? Is it true to its people? Does it cultivate the virtues of truth, industry and fair dealing?

An honest nation deserves honest government through an honest party.

It expects its government to tell the truth and all the truth, to keep its accounts as honest men keep their accounts, to make no promises it cannot keep, to keep those that it has made, and to match material with moral character.

To bring that sort of character to government is the pledge of the Republican party.

A sound influence is the next characteristic that the people have a right to expect of their government. A nation does not live unto itself alone. America is one of a great community of nations. American industry, culture, science, commerce, and, in war, its arms, have profundly influenced the world at large. Its influence, however, is and must be unselfish. It must seek no imperial power and no foot of another nation's territory.

True, the greatness of America raises high expectations everywhere. And—the influence of America must justify those expectations wherever or whenever they are legitimate. It must teach by example fair dealings among nations and between nations and their people. America must not in the future—as our present leaders have done so tragically in the recent past—squander our influence in the support of reaction, exploitation and tyranny.

Our nation must count as it can. Its great institutions, public and private, that have extended health, science and education, must continue to enrich the world. It must teach the miracle of American productive know-how wherever it can. It must join in all common efforts to destroy disease, superstition and intolerance. In a world of neighbors, it must be a trusted and helpful friend.

Supreme Purpose of Government

Finally, the happiness of its people is the supreme purpose of government. That is what Aristotle, the father of philosophy, wrote 2,000 years ago. That is what Jefferson in this city wrote into the Declaration of Independence—"The pursuit of happiness."

That objective implies the right of a man to seek a full life and to grow in mind and spirit. It means the right of a child to be protected against disease and ignorance. It means the right of a man or woman to work where and when he can best serve. It means the right of a farmer to plant when and what he chooses.

Freedom is the basis of happiness. Freedom to speak and write, to vote, to travel and to worship as a man's spirit prompts him to worship.

Those rights are the marks which distinguish our Republic. While that Republic stands Americans will be free and ours will be a happy nation. But let us keep that Republic safe.

We have, as Benjamin Franklin said here in Philadelphia, a Republic, if we can keep it.

The American people, despite storm and stress, despite assaults from enemies within and without, have kept our Republic.

Let this convention, eight score years later, give our Republic the leadership it deserves.

These three—national character, world influence and a people's happiness—these are the concerns of this Republican party.

This is the challenge that generations of free Americans offer to the Republican party and this convention. This is the challenge of men everywhere who are weary of war and heavily laden with tyranny. This is the challenge of our youth who ask a better chance to live. This is the true voice of America.

Above all, the enemy of happiness is war. Peace is its first essential.

Two generations have been asked to give their youth to the grime and blood of conflict. The happiness of another generation hangs in the balance. Those boys who gave their chance of life and happiness are our reminder of our duty to build a better peace:

"To what avail, alas, to what avail
If we resume the old futilities!
Have mercy on our souls if we
should fail."

Peace cannot be kept without government. Upon those chosen by this convention must rest that awful responsibility.

May God grant that this convention meet this challenge with truth and courage and vision. By God's grace, may we choose wisely and well.

Chicago Exchange Has Four Texas Members

CHICAGO, ILL.—The Executive Committee of The Chicago Stock Exchange has elected to membership:

John H. Rauscher, Rauscher, Pierce & Co., Inc., Dallas, Texas; J. Wesley Hickman, Schneider, Bernet & Hickman, Dallas, Texas; Wilbur E. Hess, Fridley & Hess, Houston, Texas; James O. Winston, Jr., Rowles, Winston, & Co., Houston, Texas.

"These are the first firms in Texas to become members of the Exchange, and all of them have expressed enthusiasm about the future of The Chicago Stock Exchange and the growing importance of Midwest financial markets," James E. Day, President of the Exchange said.

With the admission of these members, the Exchange now has a total of 167 member firms.

Strengthening U. S. Economy

(Continued from page 2)

shortage of steel may limit our attempt to expand our own economy. We are now allocating steel to build 10,000 cars a month. Actually, we are not even meeting this goal, and 10,000 cars a month falls far short of the need. Our freight car "population" has been on the downgrade for almost two decades. Today we have on hand some 1,740,000 cars, about a fourth less than in 1930. Better equipment and increased efficiency have made it possible to handle the load despite the loss of more than half a million cars, but the strain of current operations is well nigh intolerable. As a result of extreme age and heavy usage, cars are constantly breaking down and have to be scrapped or taken out of service for repairs. During the past year, we have been barely able to hold our own and keep the car supply from falling still further. The number of cars scrapped has increased in each month of 1948, and the excess of cars going to the repair shops over those repaired has also increased each month of this year. Consequently, the number of serviceable cars declined in April despite the monthly production of about 10,000 new cars. There can be no easing of the present critical transport situation until we can again build up the car supply and replace the over-age and obsolete rolling stock now in use.

Yet the adequacy of our transportation system, which can have such an influence on the maintenance of our prosperity, is not simply our own domestic concern. The economic and political future of the world as a whole is tied in with our own economic strength. Certainly the history of the last few years illustrates the point sharply.

Volume of Overseas Aid

During the war, for instance, this country sent overseas an unbelievable volume of goods in the form of lend-lease aid to our fighting allies. From 1940 through the end of the war, our lend-lease aid totaled $47 billion. Since the war the provision of aid has been continued. In 1946 the United States Government, through grants and credits, provided $5,600,000,000 worth of foreign aid. In 1947 the total rose to $6,400,000,000. In 1948 it is estimated that it will be approximately $7,600,000,000. In other words, by the end of this year the assistance given to overseas nations by this country since the end of the war will have reached a total $20 billion. History has never known such a stupendous operation.

Nor is that all of the story. We need to bear in mind the fact that not all of this help has gone to the nations with whom we stood shoulder to shoulder during the war as allies. During the year 1947, for instance, we spent $480 million on relief in Germany, $546 million on relief in Japan, and $70 million on relief in Korea; since the fighting stopped in 1945, we have spent more than $1½ billion on relief in those three lands, this sum being entirely separate from and in addition to the enormous costs of our military occupation.

And ths aid which has gone overseas has gone there in the face of substantially increased requirements by our own people.

Take food as an illustration. The productivity of the United States has been increasing steadily, but it is fully balanced by increased domestic needs. Three farm people can now produce more than four could produce just before the war. With approximately the same amount of land as in the prewar years, we are turning out a third more of farm products. In corn, for example, our average crop in the four prewar years was about 2½ billion bushels; since the war it has exceeded three billions. In wheat, we produced about 850 million bushels per year, on the average, before the war; since the war we have produced almost half again as much. But our population has been growing, too, and our domestic demands for food have been growing at an even faster pace.

In the matter of food we have been very lucky, and we may well take note of that fact. We have not had bad crop conditions over a really big area in the United States since 1936; in every year since then we have had what amounts to record production. The law of averages is due to catch up with us sooner or later; some day we are apt to have a crop failure. Certainly we can't count on a bumper crop year after year—the kind of crops, for instance, which enable us to do as we did last year and export 15 million tons of grain while we also meet all of our own wants.

At the end of the war, Europe entered on a period of convalescence. But this period had barely begun when it was interrupted by a series of tragic misfortunes — the bitter winter of 1946, heavy spring floods, and the summer drought of 1947. European recovery ground to a standstill. It was then that Secretary Marshall at Harvard University proposed to the nations of Europe a cooperative program by which we would help them to help themselves. The Congress has approved this program, and has provided by law for the Economic Cooperation Administration.

Western European Recovery

We have embarked upon an effort to aid the recovery of western Europe. We are all committed to it—Republicans and Democrats. It is a serious and stupendous undertaking, and a prime factor in its successful accomplishment must be the maintenance of a sound and strong American economy. We shall continue to help Europe with all the intelligence and energy we possess, but we cannot do it without a recognition of the interdependence of that problem and the problem of maintaining our own financial stability and high-level performance.

Today we are in the midst of a boom. We have achieved the fabulous "full employment" level that we wistfully dreamed of a few years ago; we have made the transition from a war economy to peace without major dislocations. Our physical output is half again as large as it was in 1939.

But the pressures under which we work — the pressures which must bear upon our economy every minute of the year — have increased greatly in a decade.

Our Resources Not Inexhaustible

We can no longer consider ourselves a land of "inexhaustible" natural resources.

During the war we mined our earth with regard only for the need to defeat our enemies. We burrowed deep into the rich ores of the great Mesabi iron range—and, as a result, it has already been remarked that "nobody will ever fight another world war on the Mesabi range." We tapped our oil pools without stint and threw into the fight a large proportion of our reserves of such metals as lead and copper.

Today, although we have only one-third of the known oil reserves of the world, we are contributing two-thirds of the world production.

We can no longer ignore the fact that our natural wealth is running out.

The grim fact is that our commercial reserves of many metals and minerals—and by "commercial reserves" I, of course, mean the reserves which can be exploited profitably at present economic levels—will be exhausted, at present rates of consumption, within a generation. These metals and minerals range from lead and copper to vanadium and zinc.

We do have marginal sources of many raw materials indispensable to our industrial civilization. We possess great reserves of oil shale and low-grade iron ore, for instance, which can be brought into production when the richer sources run out, and we must be fully prepared for the day when resources of that kind are our main reliance.

Fortunately, the limits of what our economy can do are very elastic. Our production during the war went far beyond what the most practical leaders in government and industry had considered possible; our nation has great elasticity as well as great strength. We know that by technological and scientific advancement we can create new natural resources while we are consuming the old ones—that what we can do depends, to a great extent, on what we set out to do.

We must remember, however, that there are limits to this elasticity. The stretched rubber band can break. The danger is that, by complacency or blundering, we can place impossible burdens on ourselves or weaken our economy at vital points.

Economic Pressures

Consider these pressures once more: the heavy domestic demands due to high-level employment and general prosperity, plus the heavy overseas demand due to the recovery program. Add to these, now—as it must be added, within the very near future—the further economic pressure of a vastly expanded national defense program; and remember that this program will not be taking place as it did in 1940 and 1941, against a background of large-scale unemployment and substantial idle plant capacity, but must be absorbed somehow by an economy which would work at full speed even if there were no defense expenditures whatever.

Taken all together, those pressures spell a real and present danger of inflation—an inflation which can be avoided only if we soberly appraise exactly what we are setting out to do, and take every precaution to keep our own productive mechanism in high gear.

President Truman accurately pointed to this danger long ago. In his message to the 80th Congress last November, he declared: "We can no longer treat inflation—with spiraling prices and living costs—as some vague condition we may encounter in the future. We already have inflation."

The problem, fortunately, was clearly foreseen before we embarked upon the recovery program.

I think we are fortunate in that the European aid program has been entrusted to two sound business men like Paul Hoffman and W. Averell Harriman. They are men of the necessary experience, the understanding and the breadth of vision. They have before their eyes the problem noted by the Harriman committee in its original report on European Recovery and American Aid. In that report, written a year ago, you will find this warning:

"If the American economy is pinched at certain spots or sectors, this may lead to serious repercussions throughout the entire economic structure. Even though the total sum of money spent for purchase in the United States is small relative to the national income, its expenditure can set off a chain of inflationary reactions. In the case of foodstuffs and other commodities, the prices of which are highly sensitive to changes in supply and demand, purchases for export could have a marked effect on the cost of living and set off an upward spiral of costs and prices. In the case of a basic material such as steel, the inflationary impact may be felt in the form of pervading scarcities throughout the industrial structure."

Overseas, the consequences of even a relatively moderate jump in prices in America would be immediately visible. Many of Europe's problems today are problems of currency and of finance. They would inevitably grow more severe—thereby increasing the size of the job to be done in the recovery program—if our price levels should get out of hand.

At home the consequences would be equally disastrous.

Inflation and Communism

We talk of combating Communism. It is clear that nothing could more effectively promote dissatisfaction with our present system, or a desire to try some other one, than run-away inflation in the United States. For over 100 years Communists have preached that the surest way to lay low a capitalistic system is to debauch its currency. If we feel the need to fight the ideology of Communism, the best way to do it is to strengthen our own economic system. Our greatest weapon will be an American economy which works smoothly, efficiently and successfully in the interest of all parts of our community within the framework of our democratic form of government. This is a challenge to each of us, to the individual citizen, to leaders in labor and industry, but in particular to those of us who hold public office. Our democratic capitalistic system must be made to work and to work for all, and the public official must be willing to work and work for all. If we ask the young American to fight for his government, we must give him something worth fighting for.

I have talked at some length about the importance of conserving our strength and our national resources in the present critical situation. The greatest resource of all, of course, is one that has yet to be mentioned—the American citizen himself, and the faith which he has in his own social, economic and political way of life.

For many years various parts of the world have been overrun by fanatical totalitarians. They have been ingenious, ruthless and zealous, and as a result they have succeeded in putting millions of people in chains. It is useless to complain of their philosophy, their morals, their devious ways or their outlook on life; they have made great headway, and we cannot deny the fact.

But as we search for a way to combat these fierce and intransigent ideologies, let us remember one thing:

We will combat them successfully, and win a final victory over them, only through a strong, robust faith in our own nation and our own way of life, and in a rededication to the ideals by which our country has always lived.

Let us not fool ourselves. We are no wiser and no braver than the peoples of most other lands, and for the most part we are far less experienced. So far, we have been infinitely luckier. We have had greater opportunities. And I am afraid that many times we have allowed this good luck to turn our heads or make us complacent.

At the time of the attack on Pearl Harbor, a Japanese Admiral said that the Japs would win the war because of our incredible complacency—and he had reason to make such a prophecy. It was only because we were jarred out of that complacency that we were able to perform as heroically and successfully as we did. It is not too hard to be jolted out of complacency by an attack such as we suffered at Pearl Harbor. But it is hard to fight complacency in time of peace. That is exactly what we must do today.

To me the most notable thing about Communism is the religious fanaticism with which its followers undergo every hardship, abandon every moral code, sacrifice everything that is dear—or what we would call dear—in order to advance their cause. Such frenzied devotion generates something that is hard to stop. It can be stopped only by an opposite devotion—a devotion to the ideals which throughout the years have made us proud to be Americans.

And if our democracy is to live and grow and do its noble work in the world, we must generate a militant faith equal to the fanatical zeal of those who preach another ideology.

We need, above all, a soul-searching inquiry into what our obligations really are. The opportunities are limitless; the responsibility is sobering. We must first of all have plain, common honesty in thinking as well as in deed. We must not fool others and we must not fool ourselves. We must have sound judgment based upon a knowledge of the experiences of history and the realities of the situation we face. Finally, we must have the courage to make decisions and the patience to carry them out. If we do not in this great crisis exhibit those qualities, the future is dark indeed. If we do exhibit them, and add to them the faith which our forefathers showed, we in this country and perhaps in the world may be facing the dawn of a better day.

F. J. Butler V.-P. Of State Bank of Blue Island, Ill.

Bartholomew O'Toole, President of the State Bank of Blue Island, today announced the election of F. Joseph Butler as Vice-President of the bank, effective July 1. Simultaneously, Mr. Butler announced his resignation as Vice-President of the Chicago Stock Exchange.

James E. Day, President of the Stock Exchange, in accepting Mr. Butler's resignation, expressed reluctance at his leaving the Exchange but was pleased to know he would remain closely identified with the growing financial markets of the Middle West.

As Vice-President of the Exchange, Mr. Butler directed the Public Relations Department and served as contact man with officers of listed corporations, member firms, commercial and investment bankers. A graduate of the University of Notre Dame, and post-graduate student at the University of Chicago, Mr. Butler began in the securities business with Hornblower & Weeks, Cleveland. Later he organized and served as Secretary-Treasurer of Lawrence Cook & Co., Cleveland. In 1940, he joined the staff of Securities and Exchange Commission, in Chicago, and served as investigator prior to joining the staff of the Exchange.

His election as Vice-President at the State Bank of Blue Island is part of the bank's program to broaden its services and strengthen the official staff, including an expanded emphasis on both personal and industrial credit, Mr. O'Toole said.

Wm. O. Duntze Opens Office in N. Y. City

William O. Duntze is opening an office at 60 Wall Street, New York City, to engage in the securities business. Mr. Duntze in the past was active as an individual dealer in New York and was a principal of Swart, Duntze & Co.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available (dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date):

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	June 27	96.2	96.0	96.8	95.6
Equivalent to—					
Steel ingots and castings produced (net tons)	June 27	1,734,000	1,730,400	1,744,800	1,672,900
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	June 12	5,479,600	*5,470,950	5,422,600	5,113,200
Crude runs to stills—daily average (bbls.)	June 12	5,592,000	5,736,000	5,640,000	5,161,000
Gasoline output (bbls.)	June 12	17,928,000	17,787,000	17,141,000	15,781,000
Kerosine output (bbls.)	June 12	2,270,000	2,224,000	2,253,000	1,921,000
Gas oil and distillate fuel oil output (bbls.)	June 12	7,143,000	7,249,000	6,800,000	5,920,000
Residual fuel oil output (bbls.)	June 12	8,967,000	9,354,000	9,002,000	8,883,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	June 12	105,849,000	107,278,000	108,385,000	92,692,000
Kerosine (bbls.) at	June 12	16,897,000	15,783,000	14,065,000	13,375,000
Gas oil and distillate fuel oil (bbls.) at	June 12	42,268,000	41,063,000	36,267,000	36,204,000
Residual fuel oil (bbls.) at	June 12	57,481,000	56,030,000	52,930,000	48,146,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 12	906,948	821,213	847,403	895,292
Revenue freight rec'd from connections (number of cars)	June 12	700,630	659,687	693,864	700,645
CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 17	$126,883,000	$174,146,000	$82,728,000	$94,488,000
Private construction	June 17	67,953,000	75,329,000	17,747,000	41,868,000
Public construction	June 17	58,930,000	98,817,000	64,981,000	52,620,000
State and municipal	June 17	56,560,000	64,962,000	55,015,000	46,459,000
Federal	June 17	2,370,000	33,855,000	9,966,000	6,161,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	June 12	13,300,000	*13,040,000	13,250,000	12,595,000
Pennsylvania anthracite (tons)	June 12	1,210,000	1,011,000	1,206,000	1,155,000
Beehive coke (tons)	June 12	145,000	*134,600	141,900	113,500
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	June 12	305	282	293	300
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 19	5,159,255	5,131,811	5,065,412	4,676,300
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	June 17	100	110	92	70
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 15	3.24473c	3.24473c	3.24473c	2.85664c
Pig iron (per gross ton)	June 15	$40.53	$40.53	$40.53	$33.15
Scrap steel (per gross ton)	June 15	$40.66	$40.66	$40.66	$33.25
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 16	21.200c	21.200c	21.200c	21.225c
Export refinery at	June 16	22.175c	21.575c	21.550c	21.425c
Straits tin (New York) at	June 16	103.000c	103.000c	94.000c	80.000c
Lead (New York) at	June 16	17.500c	17.500c	17.500c	15.000c
Lead (St. Louis) at	June 16	17.300c	17.300c	17.300c	14.800c
Zinc (East St. Louis) at	June 16	12.000c	12.000c	12.000c	10.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Govt. Bonds	June 22	100.98	101.32	101.54	103.90
Average corporate	June 22	113.31	113.31	113.12	116.61
Aaa	June 22	117.80	118.20	117.80	121.88
Aa	June 22	116.02	116.22	116.02	120.22
A	June 22	112.56	112.56	112.37	116.61
Baa	June 22	106.92	106.92	106.74	109.06
Railroad Group	June 22	109.24	108.88	108.70	111.07
Public Utilities Group	June 22	113.70	113.89	114.08	118.60
Industrials Group	June 22	116.80	117.20	116.80	120.84
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Govt. Bonds	June 22	2.43	2.41	2.39	2.24
Average corporate	June 22	2.99	2.99	3.00	2.82
Aaa	June 22	2.76	2.74	2.76	2.56
Aa	June 22	2.85	2.84	2.85	2.64
A	June 22	3.03	3.03	3.04	2.82
Baa	June 22	3.34	3.34	3.35	3.22
Railroad Group	June 22	3.21	3.23	3.24	3.11
Public Utilities Group	June 22	2.97	2.96	2.95	2.72
Industrials Group	June 22	2.81	2.79	2.81	2.61
MOODY'S COMMODITY INDEX	June 22	438.0	427.4	425.3	403.5
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUPS—1935-39=100:					
Foods	June 19	242.0	239.5	237.7	216.3
Fats and oils	June 19	287.3	297.9	301.8	203.5
Farm products	June 19	276.2	268.8	266.1	248.9
Cotton	June 19	351.9	353.0	361.5	359.0
Grains	June 19	261.6	261.3	265.2	254.9
Livestock	June 19	274.7	263.6	256.2	232.1
Fuels	June 19	231.4	231.4	228.6	172.2
Miscellaneous commodities	June 19	176.9	176.1	177.1	159.3
Textiles	June 19	209.4	209.1	215.2	218.7
Metals	June 19	165.9	165.9	165.2	148.5
Building materials	June 19	230.1	229.9	232.8	181.3
Chemicals and drugs	June 19	158.0	158.6	158.6	154.7
Fertilizer materials	June 19	134.6	134.2	136.1	125.3
Fertilizers	June 19	142.9	143.8	143.8	134.6
Farm machinery	June 19	139.4	139.4	138.9	125.3
All groups combined	June 19	226.6	224.3	223.3	197.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 12	171,337	222,226	155,789	146,726
Production (tons)	June 12	193,156	168,802	188,745	183,105
Percentage of activity	June 12	101	87	100	103
Unfilled orders (tons) at	June 12	380,421	402,625	385,907	512,578
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	June 18	147.4	147.8	146.8	143.5
WHOLESALE PRICES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	June 12	164.9	164.2	163.5	147.6
Farm products	June 12	193.5	192.4	187.9	178.3
Foods	June 12	180.1	178.0	178.9	162.4
Hides and leather products	June 12	186.7	187.0	189.0	167.0
Textile products	June 12	148.8	149.2	148.1	138.5
Fuel and lighting materials	June 12	133.8	133.8	133.4	104.4
Metal and metal products	June 12	157.1	156.8	156.5	142.3
Building materials	June 12	196.9	196.6	195.9	176.1
Chemicals and allied products	June 12	137.1	135.2	134.4	124.4
Housefurnishings goods	June 12	145.1	145.1	144.7	129.6
Miscellaneous commodities	June 12	120.9	121.0	121.2	116.0
Special groups—					
Raw materials	June 12	181.6	180.9	177.7	161.2
Semi-manufactured articles	June 12	153.0	153.0	152.5	142.3
Manufactured products	June 12	159.3	158.6	159.0	142.9
All commodities other than farm products	June 12	158.5	158.0	158.0	141.9
All commodities other than farm products and foods	June 12	149.3	149.3	149.0	132.1

*Revised figure.

	Latest Month	Previous Month	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of May	7,564,626	*6,218,157	7,339,014
AMERICAN TRUCKING ASSOCIATION—Month of April:			
Number of motor carriers reporting	277	*277	277
Volume of freight transported (tons)	2,767,597	*2,818,962	2,423,743
BANKERS DOLLAR ACCEPTANCES OUTSTANDING — FED. RESERVE BANK OF NEW YORK — As of May 29—			
Imports	$155,056,000	$143,159,000	$117,686,000
Exports	57,315,000	54,065,000	45,137,000
Domestic shipments	10,335,000	10,121,000	11,119,000
Domestic warehouse credits	9,141,000	8,833,000	9,864,000
Dollar exchange	2,976,000	3,798,000	------
Based on goods stored and shipped between foreign countries	20,812,000	22,081,000	5,450,000
Total	$255,635,000	$242,057,000	$189,256,000
COAL OUTPUT (BUREAU OF MINES)—Month of May:			
Bituminous coal and lignite (net tons)	56,590,000	34,631,000	56,464,000
Pennsylvania anthracite (net tons)	4,867,000	4,438,000	4,549,000
Beehive coke (net tons)	617,900	*246,100	600,700
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of May 25	$253,000,000	$275,000,000	$250,000,000
COMMERCIAL STEEL FORGINGS (DEPT. OF COMMERCE)—Month of April:			
Shipments (short tons)	114,314	131,111	121,475
Unfilled orders at end of month (short tons)	628,123	641,110	698,615
COPPER INSTITUTE — For Month of May:			
Copper production in U. S. A.—			
Crude (tons of 2,000 lbs.)	91,526	*88,741	91,278
Refined (tons of 2,000 lbs.)	104,524	104,044	108,536
Deliveries to customers—			
In U. S. A. (tons of 2,000 lbs.)	113,389	116,475	118,120
Refined copper stocks at end of period (tons of 2,000 lbs.)	72,791	67,257	84,500
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1935-39 AVERAGE=100—Month of May:			
Sales (average monthly), unadjusted	247	242	242
Sales (average daily), unadjusted	252	237	237
Sales (average daily), seasonally adjusted	268	255	253
Stocks, unadjusted as of April 30	247	251	224
Stocks seasonally adjusted as of April 30	243	249	221
GRAY IRON CASTINGS (DEPT. OF COM-			
Shipments (short tons)	1,051,083	1,169,085	1,097,150
For sale (short tons)	584,969	659,821	636,708
For producers' own use (short tons)	466,114	509,264	460,442
Unfilled orders for sale at end of month (short tons)	2,690,893	2,726,415	2,907,694
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of May (1935-39 Average=100)	†129.9	†125.4	134.3
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of May (000's omitted)—			
Ordinary	$1,196,463	$1,287,130	$1,229,757
Industrial	156,540	200,987	226,596
Group	392,534	369,386	372,892
Total	$1,745,537	$1,857,503	$1,829,245
METAL OUTPUT (BUREAU OF MINES) — Month of April:			
Mine production of recoverable metals in the U. S.			
Copper (in short tons)	73,892	*73,922	72,396
Gold (in fine ounces)	153,519	*152,735	162,320
Lead (in short tons)	35,319	*35,802	32,979
Silver (in fine ounces)	3,436,647	*3,381,240	3,081,642
Zinc (in short tons)	52,561	*54,545	57,320
NEW YORK STOCK EXCHANGE—As of May 28 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debit balances	$614,720	$572,335	$530,330
Credit extended to customers	68,600	66,192	62,771
Cash on hand and in banks in U. S.	360,368	382,998	420,495
Total of customers' free credit balances	618,868	614,000	651,005
Market value of listed shares	74,704,000	70,261,691	63,646,000
Market value of listed bonds	135,369,744	134,546,325	140,426,000
Stock price index, 12-21-24=100	82.8%	78.0%	74.4%
Member borrowings on U. S. Govt. issues	$153,653	395,176	$130,000
Member borrowings on other collateral	232,154	215,383	180,000
SOFTWOOD PLYWOOD (DEPT. OF COMMERCE)—Month of April:			
Production (M sq. ft. ⅜-in. equivalent)	164,862	185,716	147,096
Shipments and consumption (M sq. ft., ⅜-in. equivalent)	162,975	184,443	142,113
Stocks (M sq. ft., ⅜-in. equivalent) at end of month	40,435	39,879	36,180
Consumption of logs (M ft., log scale)	70,241	77,543	66,270
Stocks (M ft., log scale) at end of month	139,544	150,190	101,840
STEEL CASTINGS (DEPT. OF COMMERCE)—Month of April:			
Shipments (short tons)	150,305	162,891	144,173
For sale (short tons)	114,896	125,550	106,127
For producers' own use (short tons)	35,409	37,341	38,048
Unfilled orders for sale at end of month (short tons)	472,370	508,822	427,554
TRAILER COACHES—HOUSING TYPES ONLY (DEPT. OF COMMERCE)—Month of April:			
Production (number of units)	5,517	*4,941	5,425
Shipments (number of units)	5,698	*4,874	5,470
Shipments (value of)	$10,151,077	*$8,499,406	$8,682,550
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of May:			
Net sales	$30,404,500	$12,100,000	$338,623,000
Net purchases	------	------	------
TRUCK TRAILERS (DEPT. OF COMMERCE)—Month of April:			
Production (number of units)	4,064	*4,238	5,248
Shipments (number of units)	4,731	*4,718	5,123
Shipments (value in dollars)	$13,313,997	*$13,399,837	$12,691,288
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted)—As of May 31	$252,311,077	$252,315,331	$258,520,736
General fund balance	4,946,292	4,612,423	4,066,389
Net debt	$247,364,785	$247,702,908	$254,454,347
Computed annual interest rate	2.174%	2.173%	2.095%

*Revised figure. †Preliminary figure.

Federal Reserve Survey of Consumer Finances

(Continued from page 5)

but there was no change in the number of spending units that were prospective buyers of durable goods other than cars. Although there was roughly a 20% decline in prospective demand for both new and used houses, would be buyers of new houses still exceeded the number that it is estimated would be built during the present year. The prices that consumers planned on paying for durable goods and houses were closely in line with prices paid last year.

While total plans to buy durable goods and houses changed little between early 1947 and early 1948, there were significant shifts in the number of potential buyers from lower to higher income groups. Some part of this can be attributed to the movement of spending units to higher income levels. But it is also obvious that higher prices were forcing many low income people out of the market.

Among consumer units with incomes below $3,000, a smaller proportion planned to buy automobiles and other selected durable goods in 1948 than had planned to do so in 1947. Many more with incomes of $5,000 and above planned to buy consumer durables. In the case of houses, few consumer units with incomes of less than $2,000 were still actively seeking homes. They had been priced out of the market. A substantially larger part of demand for houses came from people with incomes of $5,000 or more. The number of spending units with incomes of $5,000 or more that said they would buy durable goods and houses in 1948 was 50 to 100% greater than in the previous year.

Consumers indicated intentions to buy a larger proportion of consumer durable goods on a credit basis in 1948 than they did in 1947. Last year roughly nine million spending units or two-fifths of those buying consumer durable goods used instalment credit in purchasing these goods.

Consumer plans to buy both durable goods and houses would indicate a continuation of heavy demand in those areas which are strongly dependent upon availability of credit and liquid assets for effective buying power. Under these circumstances, there will continue to be further heavy dissaving by spending units in 1948. In all likelihood at least one-fourth of all spending units will spend more than their incomes in the present year and there will be no substantial change in the aggregate amounts saved by other spending units. As indicated before, this heavy dissaving is a result of consumer willingness to spend for consumer goods and services. Some consumers may be using liquid assets to meet higher living costs and others borrowing for necessitous purposes, but many are using credit or accumulated savings to replace worn-out durable goods or to buy for the first time in their lives particular types of consumer goods.

Effect of Prices on Buying

The question has been raised as to whether the commodity price decline had any effect upon buying intentions. Interviewing for the survey was little more than half completed at the time of the break in commodity prices during the first week in February. By taking a number of interviews after the price break in addition to those originally planned, it was possible to build up two representative cross-section samples, one interviewed before the decline in the commodity market and one after it, and to ascertain any change in buying plans or consumer expectations between these two samples.

There was a very decided shift in consumers general price expectations as measured before and after the price break. Many more spending units anticipated price declines after the price break than before. These general price expectations were closely related to people's expectations on food prices. In the case of prices of durable goods, many spending units anticipated declines as early as July, 1947, and no difference was noted in price expectations on durable goods expressed by consumers interviewed in July, 1947 and after the price break in February.

The commodity price break appeared to have little effect upon buying intentions. Consumer plans to buy cars, other selected durable goods, and houses continued at high levels. There was some indication of a slight drop in plans to buy selected durable goods other than automobiles.

It is noteworthy that the commodity price break did not change consumer buying plans for durable goods. There is the possibility that it may have affected consumer plans to buy clothing and other nondurable goods, but the survey does not obtain information about the demand for these goods. For the most part, however, consumers anticipating increases or decreases in prices at the time of the survey did not expect very substantial changes in prices, and it is therefore not surprising that the expectation of slight changes in prices one way or the other had little effect upon buying plans.

The commodity price break also had little effect upon consumer income expectations or their expectations regarding the economic outlook. They continued to be optimistic about future prospects for themselves as well as for the country as a whole.

Sales Forecasting

To this point, I have confined my remarks to the results of the 1948 Survey of Consumer Finances. I should now like to briefly discuss some of the possible uses of the Consumer Finances Surveys in sales forecasting.

Of course, the buying intentions data for consumer durable goods and houses are probably of most direct use as an aid in sales forecasting. They are experimental data, however, and must be used with caution. Consumer plans to buy in any particular year should not be construed as an indication of the exact measure of total demand or of the quantities of goods to be purchased during the year. There are a number of reasons why this is so:

(1) Many consumers do not plan their purchases of durable goods and houses a year in advance.

(2) Factors having an important bearing upon prospective and actual demand and relating to the article to be purchased such as price, availability, and style, are not fully known to the consumer at the beginning of the year, and

(3) Factors relating to general economic conditions such as employment status, income prospects, and availability of credit, are not fully known to the consumer at the beginning of the year.

The interplay of each of these three factors has had an important bearing upon the relation of actual purchases of selected articles in a given year to intended purchases at the beginning of the year. From the 1946, 1947, and 1948 surveys, information is available regarding intended and actual purchases in 1946 and 1947.

In 1946, the first year of full consumer durable goods production after the war, backlog demands were substantial and planned purchases at the beginning of the year generally exceeded actual purchases during the year. By 1947, many of the most urgent backlog demands had been erased and it was found that, except for new automobiles, the total of planned purchases was less than actual purchases during the year. In the case of furniture, where backlog demands were not quite as large and supplies were somewhat more adequate than with other consumer durable goods in both 1946 and 1947, it was found that there were twice as many actual buyers as prospective buyers in both years. In the case of major household appliances, there were half again as many actual buyers as prospective buyers in 1947.

A better basis for estimating approximate quantities of any durable item that may be purchased should be provided by a comparison of intentions data and actual purchases over a period of several years when supplies of goods are plentiful and backlog demands are small. Until such time, intentions data should be compared with previous year intentions data and also to the actual volume of purchases in the same years in order to understand their meaning and limitations more fully.

Perhaps of less direct use but certainly as important in sales forecasting are the financial data collected in the Consumer Finances Survey. This information includes the distributions of consumer income, saving out of income, and liquid asset holdings by spending unit and family groups. Up-to-date information which shows the shifts of consumer units to higher and lower income levels, changes in consumer liquid asset holdings by income levels, and changes in consumption and saving patterns by income level and by various socio-economic characteristics are important guides to sales forecasting. Later this year the Board hopes to make available for the first time from survey results data showing the distribution of 1947 consumer income after deduction of Federal taxes, as well as the distribution of consumption expenditures in 1947 by income level.

There is a third set of data that one day may be important information to the sales forecaster. That concerns information relating to consumer attitudes and expectations, particularly data that may have a bearing upon consumer motives to spend or to save or to invest. Among such data are consumer expectations with respect to his future income and saving out of income, the trend of prices, and general economic activity, and attitudes regarding current financial status, the relative merits of saving and spending, and investment preferences. These are some of the items for which information is now obtained in the Consumer Finances Survey. Such data are basic to an understanding of the psychological factors underlying consumer behavior patterns.

Use of Data

I should like to give several specific illustrations of the possible usefulness of certain data from the Consumer Finances Surveys in sales forecasting work.

One theory related to consumption-saving patterns that has had considerable acceptance and has been widely used in forecasting future spending and saving, states that as the real income of the community increases, a greater percentage of income is saved. Followers of this theory predicted mass unemployment in the postwar period because of the impossibility of sustaining high levels of national income when saving rates were high. Information from the 1947 Survey of Consumer Finances indicates that spending units receiving increases in income were more likely to be heavy spenders and small savers than spending units experiencing no change in their incomes. This would imply that as real income increased there was a tendency for the percentage of income saved to fall and the percentage of income spent to rise. There may well have been special factors makings for this relationship in the immediate postwar era such as the return of many veterans to civilian life and the necessary heavy expenditures undergone in setting up a family household; also the heavy expenditures entailed by many consumer units in satisfying deferred demands. But there is a real possibility that income increases encourage many consumers to purchase goods that have heretofore been beyond their effective buying range. After the results of a number of these surveys are available, it may be possible to make a more definitive statement about consumption-saving patterns in periods when there are increases in real income; but certainly from experience in the current period it would appear that increases in income stimulate spending more than saving.

Another illustration of the possible use of these data refers to the housing market. House prices have increased tremendously in the past several years. So much so that many persons have been forecasting an end to the residential construction boom. But the demand for new houses is still large in relation to expected completions. Why has the potential market sustained itself? Examination of the distribution of income among consumer units since 1945 shows a very substantial upward shifting to higher income levels. Median consumer unit income has increased $500 during this period and the incomes of many consumer units have increased by substantially greater margins. Under normal price-of-house to income relationships, it has therefore been possible for many consumer units in need of housing to pay considerably higher prices than they could have paid several years ago.

Demand for Autos and Other Durable Goods

Examination of the demand for automobiles and other selected durable goods by income level also reveals that it has been possible to sustain prices of many of these durable products because of the larger demand from upper income groups. It is also indicated, however, that the maintenance of demand at current price levels depends upon an expanding volume of purchases at the top of the income scale to offset reduced purchases at the bottom. It is obvious that price reductions will be necessary to stimulate purchases by lower income groups.

What about the use of consumer credit in the years since the war? While the dollar volume of durable goods sold during 1947 far exceeded the prewar peak, the amount of credit used in buying such merchandise was considerably smaller than might have been anticipated on the basis of prewar experience. Data from the Consumer Finances Surveys indicate that wartime savings have often been used in buying durable goods rather than credit. Before the war fewer consumer units held liquid assets and in order to buy durable goods they made use of credit facilities. Thus, the extension of a smaller volume of credit in the past few years than was originally anticipated may be attributed to the availability of liquid assets and consumer willingness to spend them. As more consumer units dispose of their holdings, it is probable that there will be an increasing demand for consumer credit.

There are many other illustrations of the possible use of the Consumer Finances data as an aid to market analysis. A study might be made of the relation between price expectations and buying plans, or an analysis might be developed on the effect of liquid asset availability upon the propensity to consume, or a study prepared on the relation between consumer optimism and buying plans.

The method of consumer financial surveys, which attempts to determine both the composition of household budgets and psychological factors influencing consumer behavior, represents a relatively new development in the field of economic and marketing research. While it is obvious that the indications of such data can constitute only one body of reference material for analyzing economic trends, the method of the consumer financial surveys promises to be a practical way of developing much needed information for intelligent market analysis.

The GOP Platform

(Continued from first page)

who had been attending its solemn reading in the manner of frank-further-stand habitues at a six-day bicycle race.

Of even greater significance, the candidates themselves have been almost uniformly exhibiting complete indifference toward the platform content. Under repeated questioning regarding their opinion and interpretation of specific planks, Messrs. Stassen, Dewey, and even Taft have pled ignorance "because of the lack of time for study." Only the "non-running" Vandenberg has come out with forthright and specific approval, and that limited to "his" foreign affairs plank.

"We shall say what we mean and mean what we say," the platform states in referring to our relations with foreigners. On the domestic front, however, unfortunately neither our own citizens nor even the candidates know what is really meant—the latters' concern being that it is safely all things to as many people as possible.

Of course, this appeasing and catch-all attribute of the platform is not peculiar to this convention or incipient campaign, but is endemic to American politics. The abuse is aggravated by the procedure of formulating the platform in advance of choosing the candidate; following the principle that the party as well as the nominee are running for office. But this established procedure is sound only theoretically. For harmony between the nominee and the principles on which both he and his party are to run, it would be much more practicable to choose the nominee first and subsequently to formulate the platform.

This has been done in the State of Wisconsin in Gubernatorial elections, with satisfactory results.

Platform-Making Technique

Of the two chief vote-getting devices—the party's platform and the nominee's campaign promises—the platform is first chronologically, but second in actual importance. A perfect demonstration of this is given us in Philadelphia, in the guise of the most artful and deft contriving imaginable of the platform as a device to keep the electorate in line without disqualifying any candidate who holds any ideology within reason. The harried Resolutions Committee could without too much trepidation, discard the proposals of a Frank Ellison Best who wants to limit the franchise to white citizens and found a territory in South Africa for the segregation of negroes; or

the vociferous demands of some organizations (like the Women's International League for Peace and Freedom) that the Republicans out-socialize the New Deal in reestablishing domestic controls and appeasement of Russia. But it, nevertheless, took real drafting artistry for Senator Lodge's platform committee to come through in constructing a tent under which any of the discernible potential nominees will be able to operate comfortably.

Intentions in Economics and Finance

In the basic economic phases we can particularly note success in fashioning a chameleon-like document. Take, for example, the coverage of fiscal matters. Surely the nature of our currency, including the degree as well as event of debauchery thereof, is a matter vital to our very way of life (one way or the other). What is done about the redeemability of the currency in gold, or in preservation of its integrity in some form, is bound up with our very choice of democratic capitalism itself. Nevertheless, as in 1944, we find that even the country's "hard-money Tory Party" has straddled and glossed over all this without taking any significant stand whatever.

By far the shortest section of the platform, amounting to but 127 words, which include a stricture against Communists, is devoted to the projection of economic policies. The entire question of monetary management and related matters is contained in a pledge for "a sound currency" (not "at all hazards" even for this). Even one of the committeemen from a Silver State was placated by this. Similarly, the entire program of rural electrification is conveniently wrapped up in the promise of "'sound' rural electrification." Although some of the local press is out on the street blaring the headlines "GOP VOWS LOWER TAXES," actually neither tax reduction nor even a balancing of the budget are forthrightly and unequivocally promised. These two items are definitely set forth merely in the recital of the *past* achievements of the Republican Congress.

The Stand of the Candidates

On Interventionism, the platform in one place says it is the government's duty "to promote a stable economy," and further on pleads for the "elimination of unnecessary controls."

Personal inquiry into the philosophy of the leading candidates strongly confirms the doubts of fiscal integrity and soundness.

Discussion of the matter with Governor Dewey's "Brain Trust" gives the definite impression that it is only a question of how much management it is semantically proper to include under the term "sound currency." As for redeemability of the currency and redeemability in gold coin, this is completely out of the question in the foreseeable future. Hard-and-fast guarantee of abstention from government interventionism, as a matter of principle, is apparently regarded by even the "conservative" (reputed) Dewey forces as a Shibboleth—as is permanent budget-balancing. As is characteristic with interventionists, the emphasis is on the *who* it is that is going to do the managing.

At least this indicated profession of faith should reassure investors against the fear of a possible protracted deflation under Republican administration.

The Attitude of Senator Taft

Even Senator Taft, widely castigated as "the sound-money, antimanagement apostle," feels himself foresworn from taking a firm public stand, at least at Convention time. Probably to a greater extent than any other legislator, Mr. Taft during the past 10 years has followed the course of the country's monetary doings. To as great a degree as any man in public life has he shown appreciation of the important repercussions from the money managers and the spenders. Yet when asked by this correspondent at a full-dress conference yesterday for his stand on currency redeemability and gold, Senator Taft firmly insisted that the problem is "extremely complex, is in the hands of experts, and I have no opinion about our proper policy at the present time although I do have 'a hankering for gold'." If the candidate who is forthright above all others admits only to a "hankering," surely nothing else than the keenest intuition will suffice to comprehend the real convictions and intentions of the other candidates, as well as the true significance of the platform.

It must be realized that for "foul" rather than for "fair weather" times, a specific definition of principles is vital. Even in the matter of the catch-all term "sound currency," many of our political leaders would follow the legitimate interpretation of the term in ordinary times when the pressure is off. But the true test comes with the "squeeze" of adverse conditions, with the abandonment or maintenance of the "soundness"— like the measuring of individual integrity generally through periods of trial. It does not take much to have "fair weather" integrity.

Incidentally, that is why the Democrats' reversal of their 1932 promises was particularly reprehensible. Their policies having originally been declared during the same bad economic circumstances as attended their later contradictory actions, the latter could not even be blamed on the "pressure" from changed conditions.

Housing Obscurity

In the matter of housing too, it is difficult to understand what is in store, assuming that the achievements of the late Congress are a good key to the real Republican platform. Will the new Republican President follow the principles of the Taft-Ellender-Wagner Housing Bill, which passed the Senate last April providing for 1½ million dwelling units annually for the next 10 years, and for ½ million low-rent housing units at an annual budgetary cost of $150 million with low-cost insurance and interest; or on the other hand will the more limited Martin-Wolcott philosophy and line of legislation be followed by the nominee?

Senator Taft has told the writer that the housing plank is eminently satisfactory to him, as have the advisers of Governor Dewey with respect to him. Yet it is difficult to see anything contradictory to the principles of the Martin followers, particularly in view of the limitation of Federal aid to cases "only where there is a need that cannot be met either by private enterprise or by the States and localities."

The foreign relations plank in the new Republican platform is another perfect example of candidate-voter appeasement, plus the fact that its function is that of vote-catching rather than of policy-making. Although first hailed as "the Vandenberg foreign plank," Governor Dewey's State-Secretary designate John Foster Dulles has volunteered his own full share of responsibility for it; committee Chairman Lodge says the vote of the subcommittee was unanimous. Unanimity would indicate that, despite raging editorial hullabaloo about the assumed intra-Party schism between "back-to-normalcy" and "internationalism," even the "arch-isolationist" Speaker Martin, as candidate, could run on the so-called Vandenberg internationalist plank.

Reciprocal trade agreements, with their ancillary tariff programs, compose another vital issue which, not only the Republican platform straddles, but concerning which both parties will probably be found to have a neck-and-neck race in hedging.

Past Platform-Welching

Serious doubt about the true meaning of the party platform must result from the memory of the aftermath of the performance when our party now in power came on the scene. For the text of much of the Democrats' platform of 1932 actually could now well serve the Republicans of 1948. We refer to those 1932 planks which demanded economy; government removal from private enterprise ("from all fields of private enterprise except where necessary to develop public works and natural resources in the common interest"); and an end to government speculation in farm products and to "improvident subsidies."

In the case of the Democratic Party in 1932, and equally with the Republicans now, the antecedent record of the Party in Congress constitutes the real platform.

Nominee Declarations

Unfortunately the subsequently-designated candidate's own promises give little better warrant for public confidence. On this phase we cannot disregard the evidence furnished by our 12-year President also at a time of change of Administration. And it must be realized that the subsequent back-tracking was largely caused by elements other than planned and willful deception.

In any event, for those seriously interested in American politics, theoretically as well for an indication of what may lie ahead after January 1949, scrutiny of the solemnly-stated convictions of nominee Franklin D. Roosevelt (whose personality the present flood of memoirs is now making more pervasive than ever) is worthwhile. Surely the voter, aware of the age-old schism between interventionism and laissez-faire, could think he knew where Mr. Roosevelt stood from statements like the following which he so resoundingly proclaimed during the summer of 1932:

"Let us have courage to stop borrowing to meet continuing deficits. Stop the deficits. Let us have courage to reverse the policy of the Republican leaders and insist on a sound currency. . . . This concerns you, my friends, who managed to lay aside a few dollars for a rainy day" (at Albany, July 30, 1932—*while H. Parker Willis was still one of his technical consultants*).

And on Nov. 4, but four days before Election Day, we of the electorate were advised by the Democratic nominee as follows:

"The business men of the country, battling hard to maintain their financial solvency and integrity, were told in blunt language in Des Moines, Iowa (by then President Hoover) how close an escape the country had some months ago from going off the gold standard. This, as has been clearly shown since, was a libel on the credit of the United States. No adequate answer has been made to the magnificent philippic of Senator Glass (with whom the President soon broke) *the other night, in which he showed how false was this assertion. And I might add, Senator Glass made a devastating challenge that no responsible government would have sold to the country securities payable in gold if it knew that the promise, yes the covenant, embodied in these securities, was as dubious as the President of the United States* (still Hoover) *claims it was.*

"One of the most commonly repeated misrepresentations by Republican speakers, including the President (still Hoover), *has been the claim that the Democratic position with regard to money has not been made sufficiently clear. The President is seeing visions of rubber dollars. This is only part of the campaign of fear. I am not going to characterize these statements. I merely present the facts.*

"The Democratic platform specifically declares: 'We advocate a sound currency to be prescribed at all hazards.' That is plain English. In discussing this platform on July 30, I said: 'Sound money is an international necessity; not a domestic consideration for one nation alone.' In other words, I want to see sound money in all the world. Far up in the Northwest, in Butte, Montana, I repeated the pledge of the platform, saying: 'Sound currency must be maintained at all hazards.' In Seattle I reaffirmed my attitude on this question. The thing, therefore, has been said in plain English three times in my speeches. It is stated without qualification in the platform and I have announced my unqualified acceptance of that platform. So much for that misrepresentation.

Action Directly Contrary to Speeches

How could the voter possibly know that these clearly and emphatically expressed convictions were really to mean that shortly after taking office Mr. Roosevelt himself would put us off the gold standard; that our "solemn covenants" were to be repudiated at his own direction; that he would sanction the Thomas amendment with its stated purpose of "transferring $200 million of bank deposits, bonds and fixed investments from the hands of persons who now have it, who do not deserve it, back to the other side"; that he would soon characterize exchange stabilization as an "old fetish of so-called international bankers," and that he himself would be the one to "rubberize" and otherwise manage the currency?

How could the voter know that Mr. Roosevelt would so reverse himself as to follow Mr. Tugwell's blatant characterization of the election as "a mandate of repudiation"?

Our inescapable conclusion is that close scrutiny of a candidate's past record plus the voter's intuition, in lieu of either his words or those in the platform, must be used as the clue as to what policies are to be expected.

* * * *

Henry Wallace's vote is estimated at four million by Norman Thomas, who is here attending the Convention as a syndicated columnist. Mr. Thomas, who is himself running for President for the sixth time as the Socialist Party nominee, feels that the usual considerable negative protest vote will this year be transferred from his column to Mr. Wallace.

The 850-Billion Dollar Question

(Continued from page 4)

it would perform a function similar to weather reports although these weather reports do not force a foolish man to come in out of the rain or force any farmer to farm scientifically.

Economic Understanding Necessary for Free Enterprise

A sharp distinction needs to be drawn between participation by the government in this task of better description and analysis, and participation by the government in the form of specific governmental programs. I firmly believe that the more rapidly we advance with an understanding of how our economy works, the more able our free enterprise system will become to fulfill its functions as we commonly define them, and the less necessary it will be for the government to intervene with those types of rescue and regulatory activities which are the by-product of an economic emergency. Further, within those areas of governmental action which all will concede to be necessary, such as the levying of taxes, the management of the public debt, and the conduct of certain resource and welfare activities, this better understanding will enable these activties to be carried forward with maximum efficiency, minimum interference with legitimate enterprise, and maximum effect upon the stability and progress of the economy as a whole.

We cannot blink this task of striving for a broader perspective because it is difficult, nor can we set it aside with easy but erroneous slogans to the effect that any such effort leads to national planning or to a departure from the essential and treasurer characteristics of the American system. We live in a high-powered and highly integrated economy, and we cannot preserve our liberties or our prosperity by playing blind man's buff. We must fearlessly look at things as they are, and courageously shape them to what we want them to be. In this task there is an ever-increasing role for wise business leadership, and an ever-increasing opportunity for the improvement of necessary public policies. A meeting such as this one here today, bringing enterprise and government together for a frank appraisal of their joint and several responsibilities, gives conclusive evidence that the $850 billion question is foremost in the minds of thoughtful people everywhere. If we keep that question utmost in our minds, we indubitably can move toward its successful solution.

FIC Banks Place Debs.

A successful offering of two issues of debentures of the Federal Intermediate Credit Banks was made June 17 by Charles R. Dunn, New York, fiscal agent for the banks. The financing consisted of $55,155,000 1.55% consolidated debentures dated July 1, 1948 and due April 1, 1949. The issue was placed at par. Of the proceeds $34,010,000 will be used to retire a like amount of debentures maturing July 1 and the balance of $21,145,000 is new money. As of July 1, 1948, the total amount of debentures to be outstanding will amount to $541,470,000.

Two With Bourbeau Douglass

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Ernest R. Hansen and James C. Reher, Jr. have joined the staff of Bourbeau & Douglass, 510 South Spring Street.

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Admiral Loan Co., Cleveland, O.
June 9 (letter of notification) 750 shares of 5½% cumulative preferred stock (par $100); $60,000 3½%-4½% one-to-three-year promissory notes. Price, par for each class. No underwriter. To make small loans.

Affiliated Fund, Inc.
June 10 filed 5,332,673 shares of common stock (par $1.25). **Underwriter**—Lord, Abbett & Co., Inc., New York. Price, at market. **Proceeds**—For investment.

● Air Commuting, Inc., White Plains, N. Y. (7/6)
June 17 (letter of notification) 1,060 shares of capital stock (no par value), of which 600 shares will be sold publicly at $100 per share. **Underwriter** — Burnham & Co. **Proceeds**—To be used to engage in limited helicopter operation over routes which the company is presently certificated to fly or in limited helicopter commercial work.

American Bosch Corp. (7/19)
June 2 filed 535,882 shares of class B ($1 par) common stock. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Glore, Forgan & Co. and Lehman Brothers (jointly); Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Bids**—Bids for the purchase of the stock will be received up to 3:30 p.m. (EDT) July 19 at office of Department of Justice, Office of Alien Property, 120 Broadway, New York.

American Discount Co. of Georgia, Charlotte, North Carolina
June 14 (letter of notification) 22,738 shares of common stock (no par), 2,677 of which will be sold publicly at $23 per share. No underwriter. To increase working capital.

American Motors, Inc. (Del.), New York, N. Y.
June 8 (letter of notification) 110,000 shares of capital stock (par 50¢) and $55,000 five-year 4% convertible notes due July 1, 1953. **Underwriter**—None. **Price**—$200 per unit of $100 of notes and 200 shares of stock. Proceeds for payment of outstanding obligations and for general working capital.

Ampal-American Palestine Trading Corp., N. Y.
April 7 filed $10,000,000 10-year 3% sinking fund debentures. **Underwriter**—Name to be filed by amendment, if any is used. **Proceeds** — $5,000,000 in mortgage loans for construction of housing in Palestine, $2,500,000 in loans to transportation and industrial cooperatives, and $2,200,000 in loan to Solel Boneh, Ltd., for public works.

Aquaflight, Inc., Wilmington, Del.
June 8 (letter of notification) 2,200 shares common stock (no par). **Price**—$100 per share. No underwriting. **Proceeds**—For working capital.

Bareco Oil Co., Tulsa, Okla.
June 7 (letter of notification) 2,000 shares of common stock (par $1). **Price**—$8 per share. **Underwriter**—Kebbon, McCormick & Co.

Barlow & Seelig Manufacturing Co., Ripon, Wis.
May 24 (letter of notification) 8,820 shares ($1 par) common stock. **Price**—$8 per share. **Underwriters**—McMaster Hutchinson & Co. and Charles W. Brew & Co.

Berry (D. N.) Co., Denver, Colo.
May 27 (letter of notification) 133,000 shares of common stock. **Underwriter**—John G. Perry & Co., Denver. For working capital.

Black Warrior Mining Co., Spokane, Wash.
June 8 (letter of notification) 100,000 shares of capital stock (par 5¢). **Price**—25¢ per share. No underwriter. For development work.

Borderminster Exploration Co. Ltd., Ottawa, Canada
June 2 filed 500,000 common shares ($1 par). **Underwriter**—Mark Daniels & Co. **Price**—40c per share Canadian funds. **Proceeds**—For exploration of properties.

California Electric Power Co., Riverside, Calif.
June 9 filed 75,000 shares of convertible preference stock ($20 par). **Underwriter** — William R. Staats Co., San Francisco. **Proceeds** — For construction and improvement of company's facilities and for acquisition of property.

● California Liberty Mines Co., Carson City, Nev.
June 14 (letter of notification) 50,000 shares of common stock (par $1) to be offered publicly at $5 per share, and 250,000 shares to be issued to the organizer and promoters for securing the lease and option to purchase the mining properties of the company. **Underwriters** — Le Fevre MacClain and George B. Muser. **Proceeds**—To develop claims.

● California Maid Hosiery Mills, Pasadena, Calif.
June 14 (letter of notification) 25,000 shares of common stock. **Price**—Par ($10 per share). **Underwriter**—None. **Proceeds**—To purchase machinery and equipment and to pay other expenses of establishing a manufacturing plant. Corporation being organized by Kurt Edwin Thierfelder, Pasadena, Calif.

● Canal Bank & Trust Co., New Orleans, La.
June 14 (letter of notification) about 6,000 shares of capital stock (par $15). **Price**—At market. **Underwriter**—None. Merrill Lynch, Pierce, Fenner & Beane will conduct transactions for Rexport Corp. and Rexport's parent, Amerex Holding Corp.

Carr-Consolidated Biscuit Co., Wilkes-Barre, Pa.
June 14 (letter of notification) 43,200 shares of common stock (par $1). To be issued to J. S. Ivins Son, Inc., of Philadelphia, for purchase of goodwill, trademarks, etc.

Central Maine Power Co.
Nov. 10 filed 160,000 shares ($10 par) common. **Underwriting**—Company called for competitive bids Dec. 8, 1947 and only one bid, that of Blyth & Co., Inc. and Kidder, Peabody & Co. was submitted and was rejected by the company. They bid $13.75, less $1.75 underwriting commission. Now expected on negotiated basis through Blyth & Co., Inc. **Offering**—To be offered to 6% preferred and common stockholders for subscription on the basis of one-half share of new common for each preferred share and one-tenth share of new common for each common share held. Price by amendment. **Proceeds**—For construction and repayment of bank loans.

Central Power & Light Co.
Nov. 21 filed 40,000 shares ($100 par) cumulative preferred. **Underwriters**—Lehman Brothers; Glore, Forgan & Co., Dewar, Robertson & Pancoast. **Proceeds**—For property additions and expenses. On April 15, SEC denied effectiveness of registration statement.

● Central States Cooperatives, Inc., Chicago, Ill.
June 21 (letter of notification) $120,000 of subordinated certificates of indebtedness, carrying 3½%, 4% and 4¼% coupons. **Price**—The 3½s and 4s will sell at $25 per unit and the 4¼s at $50 per unit. **Underwriter**—Company. **Proceeds**—To retire outstanding bank loans and trade notes.

Central Vermont Public Service Corp.
March 30 filed $1,500,000 Series E first mortgage bonds and an undetermined number of common shares (no par). **Underwriters** of common—Coffin & Burr. Bonds to be placed privately. Common stock will be offered to common stockholders through subscription rights and to common and preferred stockholders through subscription privileges. **Proceeds**—For a construction program and repair of flood damages. Expected by mid-July.

Challenger Airlines Co., Salt Lake City, Utah
March 1 filed 600,000 shares ($1 par) common stock, of which 400,000 are being sold for the company and 200,000 for the account of Claude Neon, Inc. **Underwriting**—None. **Price**—$2 a share. **Proceeds**—For equipment purchase and general funds.

Chemical Fund, Inc., New York
June 4 filed 669,975 shares of common capital stock, ($1 par). **Underwriter**—F. Eberstadt & Co. Inc. **Proceeds**—For investment. **Price**—Market.

● Citizens Finance Co., Grand Junction, Colo.
June 16 (letter of notification) 2,500 shares of 5% cumulative preferred stock (par $100). Holders of $71,700 class A preferred and class B preferred stock are to be offered new 5% preferred in exchange, and the remaining 5% preferred will be offered at par. **Underwriter**—None. **Proceeds**—For additional capital, the retirement of debentures if such new capital is not needed in the operation of the business, and $71,700 for exchange offer.

Commonwealth Lead Mining Co., Salt Lake City, Utah
May 27 filed 2,000,000 shares of non-assessable common stock (10¢ par). **Offering**—1,303,733 shares are to be offered in exchange for a like number of shares of Utah Ophir Mines Co. on a share-for-share basis plus one cent per share to be paid Commonwealth by Utah Ophir stockholders accepting the offer. **Underwriting**—None. **Proceeds** — For exploration and development work.

Consumers Cooperative Assoc., Kansas City, Missouri
Oct. 16 filed $3,000,000 non-dividend common stock ($25 par); $6,000,000 of 3½% five-year and 4½% 10-year cumulative certificates of indebtedness; and $2,000,000 of 1½% demand and 2½% 6 months cumulative loan certificates. No underwriting. **Offering**—Offered only to stockholders and patrons and members. **Price**—At face amount. **Proceeds**—For acquisition of additional office and plant facilities.

Continental Radiant Glass Heating Corp., N. Y.
June 11 (letter of notification) 149,900 shares of common stock (no par). **Price**—$2 per share. **Underwriter**—Mercer, Hicks & Co. **Proceeds**—For working capital.

● Crader Oil Co., Inc., Oklahoma City, Okla.
June 18 (letter of notification) 25,000 shares of common stock to be sold publicly at par ($1 per share). **Underwriter**—None. **Proceeds**—To develop oil and gas leases.

Dayton Consolidated Mines Co., Virginia City, Nevada
May 14 (letter of notification) $100,000 first lien sinking fund convertible 5% bonds due 1953 and 300,000 common shares reserved for conversion of bonds. **Price**—$1,000 per bond with 1,000 common shares. **Underwriter**—S. K. Cunningham & Co., Pittsburgh. To receive current obligations, working capital, etc. Being placed privately.

● Deardorf Oil Corp., Oklahoma City, Okla.
June 18 (letter of notification) 250,000 shares of common stock (par 10 cents) to be sold for the benefit of B. C. Deardorf. No underwriter.

● Dehydrating Process Co., Boston, Mass.
June 21 (letter of notification) $300,000 of 15-year 5% debentures, dated July 1, 1948. **Underwriter**—None. **Proceeds**—For new plant and working capital.

Equitable Gas Co., Pittsburgh, Pa. (7/7)
May 6 filed $14,000,000 first mortgage bonds, due 1973. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Harriman Ripley & Co.; White, Weld & Co. **Proceeds**—$14,000,000 of proceeds, plus 563,000 shares of new common stock, will be delivered to the Philadelphia Co. in exchange for natural gas properties now under lease, outstanding capital stock of Equitable, notes and other claims owed to the Philadelphia Co. and to the Pittsburgh and West Virginia Gas Co. Expected about July 7.

Equity Fund, Inc., Seattle, Wash.
June 9 filed 400,000 shares of common stock (par 20c). Price, at market (about $4.39). **Underwriter** — Pacific Northwest Co. **Proceeds**—For investment. Company is an open-end management investment company.

Exchange Buffet Corp., New York
June 14 (letter of notification) 250 shares of common stock (par $2.50). Price, market (about $6½ per share). **Underwriter**—Delafield & Delafield, New York. Proceeds to selling stockholder.

First Guardian Securities Corp., New York City
June 4 filed 36,000 shares of 5% cumulative convertible preferred stock ($25 par) and 172,000 shares ($1 par) common stock. (72,000 shares of common to be reserved for conversion of the preferred.) **Underwriter**—None. **Price**—$25 a share for the preferred and $10 for the common.

Flotill Products, Inc., Stockton, Calif.
March 6 filed 385,000 shares of 60 cent convertible preferred stock (par $5) and 325,000 shares of common stock (par $1). **Underwriter** — Floyd D. Cerf Co., Chicago. **Price**—preferred $10; common $6. **Proceeds** — Stockholders will sell 260,000 preferred shares and 250,000 common shares and company 125,000 preferred shares and 75,000 common shares. Company's proceeds will be used for general corporate purposes. Effective May 5.

Fraser Products Co., Detroit, Mich.
Oct. 21 filed 100,000 shares ($1 par) common. **Underwriters** — Campbell, McCarty & Co., and Keane & Co., both Detroit. **Price**—$5.25 per share. **Proceeds**—The shares are being sold by 14 stockholders who will receive proceeds. Registration statement effective Jan. 16.

● Fundamental Investors, Inc.
June 15 filed 750,000 shares of capital stock (par $2). **Underwriter** — Hugh W. Long & Co., Inc. **Price** — At market. **Proceeds**—For investment.

● General Builders Supply Corp.
June 21 filed 40,000 option warrants to purchase common stock. Holders propose a public offering of such warrants. The options were first acquired by Allen & Co., underwriters, pursuant to an agreement with 23 stockholders of the company at 10 cents per warrant on May 29, 1946. Later 8,000 options were transferred at 15 cents per warrant to Allen & Co. associates. Warrants are exercisable on or before June 30, 1950, at $4 per share. The company will receive none of the proceeds.

NEW ISSUE CALENDAR

June 25, 1948

United States Television Mfg. Corp.............Common

June 28, 1948

Chicago, Milwaukee, St. Paul & Pacific RR., Noon (CDT)......Equip. Trust Ctfs.
Hafner (R. J.) Corp..........Debentures & Com.
Phoenix Glass Co..........Common
Plywood, Inc..........Common
Southern Union Gas Co..........Preferred
United Oil Corp..........Common

June 29, 1948

Chicago & North Western Ry. Noon (CDT)..........Equip. Trust Ctfs.
Louisiana & Arkansas Ry..........Equip. Trust Ctfs.
New York Telephone Co., 11 a.m. (EDST)..Bonds

June 30, 1948

General Telephone Corp..........Common
Louisville & Nashville RR., 11:30 a.m. (EDT)..Bonds
Pacific Gas & Electric Co..........Preferred
Virginia Electric & Power Co. 3:15 p.m. (EDST)..........Common

July 1, 1948

Kullman Dining Car Co., Inc..........Preferred

July 6, 1948

Air Commuting, Inc..........Capital

July 7, 1948

Equitable Gas Co..........Bonds
Pennsylvania RR., Noon (EDST)..Equip. Trust Ctfs.
Wheeling & Lake Erie Ry..........Equip. Trust Ctfs.

July 8, 1948

Public Service Electric & Gas Co..........Preferred

July 13, 1948

National Fuel Gas Co..........Debentures
New Jersey Bell Telephone Co..........Debentures

July 15, 1948

Tanner & Co..........Preferred
Westinghouse Electric Corp..........Debentures

July 19, 1948

American Bosch Corp., 3:30 p.m. (EDT)..Cl. B. Com.

General Telephone Corp., New York (6/30)
June 4 filed 208,260 shares of common (par $20). **Underwriters** — Paine, Webber, Jackson & Curtis, Stone & Webster Securities Corp. and Mitchum, Tully & Co. **Offering**—Holders of common stock and 4.40% preferred stock of record June 16 have received rights to subscribe on or before June 29 to the new shares at the rate of one new share for each six common shares held and at the rate of one new share for each 4½ preferred shares held. **Price**—$24.75 per new common share. **Proceeds**—To make additional investments in the common stock equities of its subsidiaries.

● **Glidden Co., Cleveland**
June 18 (letter of notification) 2,500 shares of common stock (no par value). **Underwriter**—The Chicago Pneumatic Tool Co. plans to buy issue for resale. **Purpose**—Issued in part payment of purchase price of certain real estate.

● **Hafner (R. J.) Corp., Smithtown, N. Y. (6/28)**
June 22 (letter of notification) $75,000 of 10-year 5% debentures and 750 shares of common stock (par $1). **Price**—At par. **Underwriter**—None. **Proceeds**—To pay for organization, etc., expenses; machinery and equipment to mills; balance for working capital.

Holan (J. H.) Corp., Cleveland, Ohio
June 4 (letter of notification) 29,723 shares ($1 par) common stock. **Price**—$3.25 per share. **Offering**—26,000 shares offered for subscription by stockholders of record June 10 on a one-for-five basis. Rights expire June 24. The other 3,723 shares are reserved for sale to key employees. **Underwriter**—Cunningham & Co. For construction and new machinery.

Idaho-Montana Pulp & Paper Co., Polson, Mont.
May 17 filed 100,000 shares of 4% cumulative preferred stock ($100 par) and 500,000 shares ($10 par) common stock. **Underwriter** — Tom G. Taylor & Co., Missoula, Mont. **Price**—$300 per unit, consisting of two shares of preferred and 10 shares of common stock. **Proceeds**—To erect and operate a bleached sulphate pulp mill with a 200-ton per day capacity.

Ideas, Inc., Washington, D. C.
June 9 (letter of notification) 4,500 shares of common stock. **Price**—$10 per share. No underwriter. Working capital.

Illinois Bell Telephone Co., Chicago, Ill.
June 4 filed 389,995 shares of capital stock (par $100). Underwriter, none. **Offering**—To be offered pro rata for subscription by shareholders of record June 2. American Telephone and Telegraph Co. (parent) will purchase 387,295 shares. **Proceeds**—To pay advances from American Telephone and Telegraph, its parent; any remainder of proceeds will be used in improving telephone plant.

● **Indiana Gas & Water Co., Inc.**
June 14 (letter of notification) not in excess of 6,000 shares common stock (par $10). **Price** — At market. **Underwriter**—Glore, Forgan & Co. **Proceeds**—To selling stockholder.

● **Indiana Gas & Water Co., Inc., Indianapolis, Indiana**
June 21 filed 60,000 shares of additional common stock ($10 par) to be offered to its stockholders on the basis of one new share, at $12.50 per share, for each 10 shares now held. The company's parent, Public Service Co. of Indiana, plans to acquire only 62 of the 26,701 shares to which it would be entitled, but has agreed to purchase all shares not otherwise subscribed for by stockholders. Stockholders, other than Public Service Co., will be entitled to buy the additional 26,369 shares of Public Service at the rate of 9/50 of a share for each share held on the record date, July 2. **Proceeds**—For construction.

Irwin-Phillips Co., Keokuk, Iowa
June 1 (letter of notification) 10,000 shares of 5% cumulative participating preferred stock ($10 par) to be sold on behalf of three stockholders. Price, par. **Underwriters**—Slayton & Co. have been employed as agents to sell the issue.

● **Kay Jewelry Co. of San Jose, Calif.**
June 16 (letter of notification) 500 shares of class A preferred stock (par $100), 1,000 shares of class B preferred stock (par $100) and 10,000 shares of common stock (par $1). **Underwriter**—None. **Proceeds**—To establish a jewelry store.

Keller & Co., Inc., Boston, Mass.
May 28 (letter of notification) 9,300 shares of cumulative participating preferred stock and $200,000 of 20-year 5½% debentures, due 1968. **Underwriter**—General Stock & Bond Corp. For working capital and other corporate purposes.

Kennedy Systems Corp. of Tennessee, Memphis, Tenn.
June 9 (letter of notification) 29,500 shares ($10 par) preferred stock and 89,500 shares (1c par) common stock. No underwriter. Preferred and common (29,500 shares) will be sold in units of one share of each at $10.01 per unit and 60,000 common shares will be sold to officers and directors. To start industrial loan business.

Kool-Aid Bottling Co., Inc. of Calif., Sheboygan, Wisconsin
March 22 filed 1,500,000 shares ($1 par) common stock. **Underwriter**—Heronymus & Co., Sheboygan, Wis. **Proceeds**—To open and equip bottling plants in California cities. **Price**—$1 per share.

● **Kullman Dining Car Co., Inc., Harrison, N. J. (7/1)**
June 21 (letter of notification) 1,500 shares of $5 cumulative preferred stock (no par value). Purchaser of each five shares will be entitled to a certificate entitling him to a credit of $100 against the purchase of a new dining car manufactured by the company, or against repair work or alterations performed by the company for the purchaser. Credit certificates issued to any one purchaser of said preferred stock shall be limited to a total of $1,000. **Price**—$100 per share. **Underwriter**—None. **Proceeds**—For expansion of manufacturing facilities.

● **Lawrence Warehouse Co., San Francisco, Calif.**
June 18 (letter of notification) 10,000 shares of 6% cumulative convertible preferred stock (par $25), and 4,000 shares of common stock (no par), to be reserved for conversion of said preferred stock on the basis of one share of common for each 2½ shares of preferred. **Price**—At par for preferred stock. **Underwriter**—Wagenseller & Durst, Inc. **Proceeds**—To retire bank loans.

Longchamps, Inc., New York
June 14 (letter of notification) 250 shares of common stock (par $1). **Price**, market (about $6 per share). **Underwriter**—Delafield & Delafield. **Proceeds** to selling stockholder.

● **McAleer Manufacturing Co., Rochester, Mich.**
June 15 (letter of notification) 7,000 shares of common stock (par $1). **Price**—$5.50 per share. **Underwriter**—C. G. McDonald & Co. **Proceeds**—No purpose given.

Masco Screw Products Co., Detroit, Mich.
June 4 (letter of notification) 141,600 shares ($1 par) common stock. **Price**—$1.75 per share. Offered to stockholders of record May 22 in ration of one new share for each 2½ shares held. Rights expire July 10. No underwriter. To repay a loan and for working capital.

● **National Fruit Product Co., Inc., Winchester, Va.**
June 15 (letter of notification) 30,000 shares of common stock to be offered publicly. **Price**—Par ($10 per share). **Underwriter**—None. **Proceeds** — For plant expansion and increase of working capital.

National Fuel Gas Co., New York (7/13)
June 4 filed $13,500,000 sinking fund debentures, due 1973. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harriman Ripley & Co. and Glore, Forgan & Co.; Goldman, Sachs & Co. and Lehman Brothers (jointly). **Proceeds**—To purchase 320,000 additional shares of United Natural Gas Co. common stock ($25 par), and to purchase 48,500 additional shares of Iroquois Gas Corp. Expected about July 13.

● **National Securities & Research Corp.**
June 17 filed 38,700 shares in First Mutual Trust Fund (par $1). **Underwriter**—National Securities & Research Corp. **Price**—At market. **Proceeds**—For investment.

● **New England Power Co.**
June 22 filed $11 million first mortgage bonds, series B, due 1978. **Underwriters**—To be determined by competitive bidding. Probable bidders include—Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Proceeds** — To purchase properties of the Bellows Falls Hydro-Electric Corp., to purchase that portion of the New Hampshire section of the Bellows Falls-Pratts Junction line owned by the Connecticut River Power Co. and for repayment of bank loans.

New Jersey Bell Telephone Co. (7/13)
June 11 filed $55,000,000 40-year debentures, due July 15, 1988. **Underwriters** — Name to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Proceeds**—To pay off advances made by American Telephone & Telegraph Co. (parent) for construction and general corporate purposes. Expected about July 13.

New Jersey Power & Light Co.
June 8 filed $6,000,000 first mortgage bonds, due 1978. **Underwriting**—Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Kidder, Peabody & Co. (jointly); Lehman Brothers; Harriman Ripley & Co.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Union Securities Corp. **Proceeds**—For construction and improvement of property.

New York Telephone Co. (6/29)
May 28 filed $90,000,000 refunding bonds series F, due July 1, 1981. **Underwriters**—To be sold through competitive bidding. Probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc. **Proceeds**—To reimburse the treasury for capital expenditures already made, to retire bank loans incurred in plant expansion and to finance future construction. **Bids**—Bids for the purchase of the bonds will be received up to 11 a.m. (EDST) June 29 at Room 1600, 140 West St., New York, N. Y. **Price**—Not less than par.

North Canadian Oils Limited, Calgary, Alberta
March 11 filed 903,572 shares (no par) common stock. **Price**—70 cents each. **Underwriter**—F. H. Winter & Co., New York. **Proceeds**—875,000 shares being sold by company and 28,572 by stockholders. Proceeds for purchase of property and drilling.

Northern States Power Co. (of Minn.)
June 3 filed $10,000,000 first mortgage bonds, due July 1, 1978, and 200,000 shares of cumulative preferred stock (no par). **Underwriting**—Names to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. (bonds only); Smith, Barney & Co. (stock only); Lehman Brothers and Riter & Co. (jointly both issues); Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White, Weld & Co. (jointly on bonds). **Proceeds**—For construction and to pay off bank loans.

Old North State Insurance Co., Greenville, N. C.
March 15 filed 100,000 shares of capital stock ($5 par). **Price**—$15 each. **Underwriter**—First Securities Corp., Durham, N. C. **Proceeds**—General business purposes.

Pacific Gas and Electric Co. (6/30)
June 4 filed 1,000,000 shares of redeemable first preferred stock ($25 par). **Underwriter**—Names by amendment, probably will include Blyth & Co., Inc. **Proceeds**—To retire bank loans and finance further construction. Expected about June 30.

Pacific Telecoin Corp., San Francisco, Cal.
June 10 (letter of notification) $300,000 4½% equipment trust certificates, series A, dated July 1, 1948, and due July 1, 1951. **Underwriters**—Gearhart & Co., Inc., and Paul D. Sheeline & Co. For equipment.

Pacific Telegraph & Telephone Co., San Fran.
May 28 filed 601,262 shares ($100 par) common stock. Underwriting, none. **Offering**—Holders of preferred and common stockholders of record June 15 are given rights to subscribe on or before July 7 at $100 per share to the extent of one share for each six shares of preferred or common held. **Proceeds**—To reimburse company's treasury for additions, etc.

Pacific Western Oil Corp., Los Angeles
May 21 filed 450,227 shares ($10 par) capital stock. **Underwriting**—None. **Offering**—To be offered by the owner, J. Paul Getty, President of the Company, from time to time on the floor of the New York Stock Exchange, or "to specific persons, firms or corporations," in sales outside the Exchange. **Price**—At approximate market.

Pepsi-Cola Bottling Co. of Memphis, Tenn.
June 1 (letter of notification) 58,000 shares ($1 par) common stock. **Price** — $5 per share. **Underwriters**—Leftwich and Ross and Bullington Schas & Co., Memphis. **Proceeds**—To retire notes, to purchase stock of wholly-owned subsidiary (Bottling Co. of Greenwood, Miss.), and to purchase equipment and supplies.

Permanente Metals Corp., Oakland, Calif. (6/30)
June 9 filed 600,000 shares ($1 par) capital stock. **Underwriters**—The First Boston Corp. and Dean Witter & Co. Price by amendment. **Proceeds**—For general corporate purposes. Expected about June 30.

● **Phoenix Glass Co., Monaca, Pa. (6/28)**
June 15 (letter of notification) 149,000 shares of common stock (par 50 cents) to be sold at $2 per share, and 10,000 stock purchase warrants entitling the holder to purchase one share of common stock at par. **Underwriter**—Kaye, Real & Co. **Proceeds**—To modernize equipment and increase working capital.

● **Plywood, Inc., Detroit, Mich. (6/28-7/2)**
June 17 (letter of notification) 10,000 shares of common stock (par $1). **Price**—$3.12½ per share. **Underwriter**—Baker, Simonds & Co. **Proceeds** — To go to John C. Emery, Jr., selling stockholder.

Powder River Oil Co., Denver, Colo.
May 11 (letter of notification) 400,000 shares (10¢ par) common stock. **Price**—25 cents. **Underwriter** — R. L. Hughes and Co., Denver. For working capital.

Public Service Electric & Gas Co. (7/8)
June 11 filed 200,000 shares ($100 par) cumulative preferred stock. **Underwriters** — Names to be determined through competitive bidding. Probable bidders: Morgan Stanley & Co.; The First Boston Corp.; White, Weld & Co. and Union Securities Corp. (jointly). **Proceeds**—For property additions and improvements. Expected about July 8.

Republic Aviation Corp., Long Island, N. Y.
June 4 filed 42,000 shares ($1 par) common stock, issuable upon the exercise of stock options. Options for this

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(Continued from page 41)

stock, exercisable at $7.25 per share, are held by eight individuals and the estate of another, now deceased. For general funds.

Riley Stoker Corp., Worcester, Mass.
June 3 (letter of notification) 7,000 shares ($3 par) common stock. **Price**—$11¾ per share. **Underwriter**—Hanrahan & Co.

● **Roosevelt Oil & Refining Corp., Mount Pleasant, Michigan**
June 22 filed 135,000 shares of 6% cumulative convertible preferred stock (par $12.50) and 107,000 shares of common stock (no par value). **Offering**—All of the preferred shares and 44,000 common shares are to be offered publicly and the remaining 63,000 common shares are to be purchased principally by officers and employees. **Underwriter**—F. Eberstadt & Co. **Proceeds**—Plus a $1,300,000 bank loan to acquire 168,422 shares of $1 par Roosevelt Oil Co. common stock at $9.04 per share, 2,500 shares of Simrall Corp., no par capital stock, at $444.45 per share, and 1,000 shares of C. L. Maguire, Inc., no par common stock, at $631.45 per share, for a total consideration of $3,265,110.

Savoy Oil Co., Inc., Tulsa, Okla.
June 8 filed 150,000 common shares (25¢ par). **Underwriting**—None. **Offering**—Stockholders are to be given rights to subscribe to 100,000 new shares at the rate of two-thirds of a share for each share held. The other 50,000 shares will be issued to officers and others at $2.50 per share upon the exercise of warrants. An unspecified number of shares may or may not be offered for sale to the public. Price by amendment. **Proceeds**—To be added to the general funds of the company.

Schuyler-Wilson Co., San Francisco
May 26 (letter of notification) 15,000 shares of ($10 par) preferred A stock (with warrants) and 90,000 common shares (par $1), reserved for warrants. Price, par for each class. **Underwriter**—Hannaford & Talbot, San Francisco, will act as selling agents. Each purchaser of one preferred share entitled to buy six common shares at $1 per share. For working capital and expansion.

Shackleton Piano Co., Louisville, Ky.
June 2 (letter of notification) 10,000 shares ($10 par) common stock. To be offered first to stockholders and any unsubscribed shares later to the public. **Price**—$10 per share. No underwriting. For additional working capital.

● **Snyder Chemical Co., Inc., Topeka, Kans.**
June 18 (letter of notification) 50,000 shares of common stock (par 10¢) and 5,000 shares of 5% cumulative preferred stock (par $5). **Price**—For common, $1 per share, and for preferred $5 per share. **Underwriter**—None. **Proceeds**—For working capital and to pay for costs of equipment and construction.

Southeastern Public Service Co.
June 10 (letter of notification) 76,032 shares of capital stock (par 10¢), reserved for issuance against 76,032 stock purchase warrants, issued or issuable to holders or former holders of common stock of the Southeastern Corp. dissolved June 27, 1947. Warrants are exercisable between July 1, 1948-June 30, 1953, and holders may purchase one share of stock for each warrant held at $3.50 per share.

Southern Union Gas Co., Dallas (6/28)
June 4 filed 25,000 shares of 5% cumulative preferred stock ($100 par). **Underwriter**—E. H. Rollins & Sons, Inc., New York. **Price**—By amendment. Expected to be offered at par. **Proceeds**—To repay bank loans and finance additional construction.

Squankum Feed & Supply Co., Inc. Farmingdale, N. J.
May 24 (letter of notification) 1,000 shares $5.50 cumulative preferred stock (par $100). Price, par. **Underwriter**—Fidelity Securities & Investment Co., Inc., Asbury Park, N. J. Working capital.

Standard Tube Co., Detroit
May 14 filed 136,667 shares of Class B common stock (par $1). **Underwriting**—None. **Offering**—Offered to Class B common shareholders of record June 10, in the ratio of one share of new stock for each three shares held at $3 per share. Rights expire 3 p.m., June 25. Fort Industry Co., owner of 122,757 shares of Standard Tube stock has agreed to purchase such portion of the above shares as shall not exceed in cost the aggregate sum of $250,000.

Steak 'n Shake, Inc., Bloomington, Ill.
Feb. 2 filed 40,000 shares of 50c cumulative convertible participating preferred stock, ($1 par) and 160,000 shares (50c par) common stock, of which 40,000 will be sold and the remainder reserved for conversion. **Underwriter**—White & Co., St. Louis, Mo. **Price**—$8 for the preferred stock and $2.50 for the common. This stock is being offered by stockholders who are members of the Belt family.

Stuart Aerial Insect Control, Inc., New York
June 11 (letter of notification) 200,000 shares of common stock (par 10¢). **Price**—$1 par share. **Underwriter**—James T. DeWitt Co., Canton, Ohio. Acquisition of business of P. J. Murray of Oxnard, Calif.

● **Tanner & Co., Indianapolis, Ind. (7/15)**
June 15 (letter of notification) 3,000 shares of 5½% cumulative preferred stock (par $100). Holders of 492 shares of presently outstanding 6% cumulative preferred stock will be offered in exchange 492 shares of the new 5½% preferred stock, share for share. **Price**—Par and accrued dividends. **Underwriter**—City Securities Corp. **Proceeds**—To retire $225,000 of promissory notes and for working capital.

● **Texas Union Oil Corp., Houston, Texas**
June 18 (letter of notification) 800,000 shares of common stock (par 10¢). **Price**—37½¢ per share. **Underwriter**—Stewart J. Lee & Co. **Proceeds**—For organizational expense, equipment, cost of drilling four wells and working capital.

Union-Standard Oil Co., Inc., Salina, Kan.
June 11 (letter of notification) $250,000 of common stock. No underwriter. To drill test well.

United Air Lines, Inc., Chicago
June 7 filed filed 369,618 shares ($10 par) common stock. **Underwriter**—Harriman Ripley & Co., Inc., New York. **Price**—By amendment. **Offering** — Temporarily postponed on June 22. To be made to common stockholders of record on the basis of one share for each five now held. **Proceeds** — Expenditures for equipment and facilities, retiring bank loans and debentures.

● **United Brick & Tile Co., Kansas City, Mo.**
June 16 (letter of notification) about 8,800 shares of capital stock (par $5). **Price**—At market. **Underwriter**—None. Rexport Corp. plans to sell 7,070 of its shares and the Trinway Corp. plans to sell 1,730 of its holdings. Merrill Lynch, Pierce, Fenner & Beane will handle transactions.

● **United Oil Corp., Oklahoma City, Okla. (6/28)**
June 17 (letter of notification) 980,000 shares of common stock (par 10 cents) together with 150,000 option warrants. **Price**—Common stock at 30 cents per share and the warrants for one cent per share. **Underwriter**—R. V. Klein Co. **Proceeds** — For organizational and operational expenses; the balance for working capital.

United Rayon Corp., New York City
March 29 filed 9,950 shares (no par) common stock. **Price**—$1,000 each. Each share is to be accompanied by a "production warrant" permitting the holder to buy a proportionate share of the company's output. **Underwriting**—None. **Proceeds**—To provide capital for the purchase and operation of a plant with an annual productive capacity of 4,000,000 pounds of viscose filament rayon and 8,000,000 pounds of viscose staple fiber.

● **United States Television Mfg. Corp. (6/25)**
June 16 (letter of notification) 10,000 shares of common stock (par 50¢). **Price**—At market (about $3 per share). **Underwriters**—Willis H. Burnside & Co., Inc., and Mercer Hicks & Co. **Proceeds**—For account of three selling stockholders.

Virginia Iron, Coal & Coke Co., Roanoke, Va.
June 7 filed 3,750 shares of 4% preferred stock ($25 par) and 15,000 shares ($10 par) common stock, to be sold by Mrs. Esther Buchman of New York City. **Price**—Preferred $20; common $8.25. **Underwriter**—None.

Vitarama Corp., Huntington Station, N. Y.
June 11 (letter of notification) 3,000 shares preferred stock (no par) and 3,000 shares common stock (par $1). **Price**—Preferred, $95; common, $3. **Underwriting**—None. Working capital.

West Virginia Water Service Co., Charleston, West Virginia
June 7 filed 8,000 shares of $5 preferred stock (no par). **Underwriters**—To be filed by amendment. **Price**—$100 each. **Proceeds**—Retire $400,000 of bank loans, and for construction purposes.

Zonolite Co., Chicago, Ill.
May 24 (letter of notification) 22,000 shares common stock (par $1). **Underwriter**—Wm. C. Roney & Co. Price by amendment.

Prospective Offerings

● **American Metal Products Co.**
June 28 stockholders will vote on increasing the authorized common stock from 500,000 shares to 1,000,000 shares. No definite plans have been made for utilizing the additional stock.

● **Boston Insurance Co.**
Stockholders in July will vote on approving the issuance of 100,000 shares of additional capital stock, which will be offered to stockholders in September on the basis of one new share for each three shares held. It is expected that a group of underwriters headed by First Boston Corp. will underwrite the new stock.

Central Maine Power Co.
June 9 company advised that it proposes to sell through competitive bidding $5,000,000 first and general mortgage bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Kidder, Peabody & Co. and W. E. Hutton & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, and White, Weld & Co. (jointly): Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc. Expected in July.

Chicago Milwaukee St. Paul & Pacific RR. (6/28)
Company will receive bids up to noon (CDT) June 28, at office of J. W. Severs, Vice-President, Room 744, Union Station Bldg., Chicago, for the purchase of $3,820,000 equipment trust certificates, series "EE." Certificates will mature $191,000 semi-annually Jan. 1, 1949-July 1, 1958. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers (jointly); Harris, Hall & Co. (Inc.)

Chicago & North Western Ry. (6/29)
Bids for the purchase of $5,340,000 equipment trust certificates, to be dated Aug. 1, 1948 and to be due in annual instalments either in 10 or 15 years, will be received at office of R. L. Williams, President, Room 1400, 400 W. Madison St., Chicago, up to noon (CDT) June 29. Probable bidders: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler; Harriman Ripley & Co., and Lehman Brothers (jointly); Kidder, Peabody & Co., and Dick & Merle-Smith (jointly).

● **Detroit Edison Co.**
June 17 company reports it is seeking to improve its financial condition to the end it may advantageously raise the money necessary to carry on its $100,000,000 expansion program. It adds: "That requires early additional financing to the extent of about $65,000,000." Probable bidders for bonds if issued: The First Boston Corp.; Halsey, Stuart & Co. Inc.; Dillon, Read & Co.; Coffin & Burr, Inc. and Spencer Trask & Co. (jointly).

● **El Paso Natural Gas Co.**
June 14 company filed an application with the Federal Power Commission to construct additional facilities to cost approximately $56,000,000. Financing will consist of $20,000,000 of 3½% convertible debentures and $36,000,000 of 3¼% first mortgage bonds. Subject to the stockholders' approval, tentative agreements have been entered into to sell these securities to a group of insurance companies and banks. Traditional underwriter, White, Weld & Co.

● **Firemen's Fund Insurance Co., San Francisco, California**
June 19 announced directors have authorized an increase in the number of shares to 1,000,000. It is proposed to offer new shares to stockholders on the basis of four for each five held at the contemplated price of $30 per share. Any remaining authorized shares not subscribed for by the stockholders will be sold at public or private sale at or near the then market price. The company also plans to reduce the par value of the shares from $10 to $7.50 each.

● **Lily-Tulip Cup Corp.**
July 27 stockholders will vote to increase the authorized common stock from 250,000 to 500,000 shares, and to authorize an issue of 30,000 shares of preferred stock. The preferred stock would be sold to two insurance companies, and the proceeds used to retire $2,500,000 of loans and to augment working capital. No plans have been announced for disposition of the increased common stock.

● **Louisiana & Arkansas Ry. (6/29)**
The company has issued invitations for bids to be received June 29 for $1,760,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers (jointly); Harris, Hall & Co. (Inc.)

Louisville & Nashville RR. (6/30)
The company has issued invitations for bids for the purchase of $30,000,000 first and refunding mortgage bonds, Series H, dated April 1, 1948, and maturing April 1, 2003. Bids must be received by the company not later than 11.30 a.m. (EDT) June 30. The price is not to be less than 98 and the rate of interest not in excess of 3¾%. Proceeds of the issue will replace treasury funds used for capitalizable expenditures, provide funds for future similar expenditures and increase working capital. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

● **Madison Gas & Electric Co.**
New financing will be necessary to provide funds for contemplated plant additions aggregating about $3,000,000, according to the annual report, but the form and amount of the financing have not yet been determined. Of said amount, approximately $1,900,000 will be spent in 1948 and the remainder in 1949.

● **Pennsylvania RR. (7/7)**
Company will receive bids up to noon (EDST) July 7 at office of Geo. H. Pabst, Jr., Vice-President, Room 1811, Broad Street Station Bldg., Philadelphia 4, Pa., for the purchase of $9,900,000 equipment trust certificates, series T, dated May 1, 1948. They will mature $660,000 annually May 1, 1949-May 1, 1963. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers (jointly); Harris, Hall & Co. (Inc.).

● **Texas Electric Service Co.**
As the company's construction program progresses additional new money will be required from the sale of bonds, stocks or other securities and the company is making careful studies as to the manner in which this new money will be obtained, according to the company's annual report.

● **United Public Service Corp.**
June 10 the Middle West Corp., asked the SEC to permit the sale of its common stock holdings of 172,393 shares (par 25 cents) in United Public Service Corp. to Doyle, O'Connor & Co., of Chicago, who has contracted to buy said shares for $905,063 (or at $5.25 per share).

● **Virginia Electric & Power Co. (6/30)**
Engineers Public Service Co., on June 18 asked the SEC for authority to sell at competitive bidding sufficient shares of Virginia Electric & Power Co. common stock to yield $900,000. **Proceeds**—To pay off a like amount of promissory notes held by Irving Trust Co. of New York. **Bids**—Bids for the purchase of the stock will be received up to 3.15 p.m. (EDST) on June 30 by the Engineers Public Service Co., Room 503, 90 Broad St., New York, N. Y. Probable underwriter, Stone & Webster Securities Corp.

● **Westinghouse Electric Corp. (7/15)**
June 24 the company will register with the SEC $80,000,000 of long-term convertible debentures which are expected to be offered publicly about the middle of July by underwriters still to be named. Stockholders will vote July 12 on increasing the authorized indebtedness from $50,000,000 to $150,000,000. **Proceeds**—To repay bank loans which mature in 1951.

● **Wheeling & Lake Erie Ry. (7/7)**
The company has issued invitations for bids to be received July 7 for $3,200,000 in equipment trust certificates to mature in semi-annual instalments over a period of 10 years. The proceeds will be used to finance not more than 80% of the cost of new equipment. Probable bidders: Harriman, Ripley & Co., Inc.; Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler, and Harris Hall & Co. (Inc.).

Our Reporter's Report

Underwriters who have been remarked by some of their confreres recently as inclined to do a little "reaching" in bidding for new issues presumably found some measure of consolation in the fact that they were not alone after all.

Philadelphia, Baltimore & Washington Railroad Co. put up $17,570,000 of its general mortgage bonds for competitive bidding and four investment banking groups sought the issue. In fact one of their number was so confident that it had won the deal, that pursuing the usual course, books were opened for public subscription.

The highest bid of the banking firms fixed a price of 98.5599 for a 4% coupon, or a net interest cost to the road of about 4.08%. Reoffering was set at "par" to yield the buyer approximately 4%.

But the bankers hardly had turned to the job of selling the issue, they believed to be theirs, when it was announced that the bonds had been awarded to the Equitable Life Assurance Society of the United States which, unexpectedly, had entered a bid of 100 for the loan with a 3½% coupon.

This, it was calculated, represented a premium of a little less than 11 points over the best banking bid and meant that the insurance company was paying approximately $1,900,000 more than the issuer would have realized had the top underwriting bid been accepted.

The buyer, of course, unlike the underwriter did not have to worry about costs involved in distribution, but, even so, it was observed that, here at least, the insurance company would have done better to have purchased the bonds from the bankers, the more or less usual course.

How It Happens

Some people probably will be inclined to wonder how it happens that the bankers find themselves, once in a great while, in a position of offering an issue in these circumstances.

It results from a practice which has grown up over a long period of time. The bankers usually know how many among their own numbers are planning to bid for a given issue.

And, when the time for opening of the bids approaches the natural move is to call up the competitors and compare bids which have been placed. That was the case in this instance. The only difference, and it sure was a big one, was that underwriters had not figured on an institutional bid, although realizing that this is always a possibility.

Consumers Power Preferred

The new issue market is evidently not yet taking as kindly to new preferred stock issues as those interested would like. At any rate it was reported in dealer circles that Consumers Power Co.'s new senior shares were proving a bit on the "sticky" side.

The company sold 200,000 shares to bankers earlier this week with the best of three bids set at 100.18991 for a $4.52 dividend rate. The next bid was 100.15 for a $4.64 dividend rate while the third was 100.376 for a $4.75 rate.

The successful group planned reoffering at 102¾ to yield 4.40%.

Possible Explanation

One consideration that might offer at least partial explanation for the apparent sluggishness of current new preferreds was said to be realization that Pacific Gas & Electric has a new issue of a million shares of $25 par value in the works.

The current projects all have been done on a competitive bid basis while the forthcoming Pacific Gas undertaking will be carried through on a negotiated basis.

With the immense scope of the offering, it is realized that both the issuer and the bankers will be disposed to price the offering attractively. This realization hangs quite heavy over the heads of those undertaking to do their financing via competition.

Imperial Oil Offers Rights for Purchase of International Pet. Stk.

The stockholders of Imperial Oil Ltd. of record June 18, 1948, will receive rights (evidenced by purchase warrants) to purchase 8,728,190 shares of common stock (no par value) of International Petroleum Co., Ltd., at $9.20 (United States dollars) per share, on the basis of 32/100ths of a share of International common stock for each share of Imperial capital stock held. Purchase warrants will be available on or about July 3, 1948. Montreal Trust Co., Canada, will act as agent for Imperial.

Southern Natural Gas 3% Bonds Offered by Halsey, Stuart Group

Halsey, Stuart & Co. Inc. and associated underwriters on June 23 offered publicly $28,000,000 Southern Natural Gas Co. first mortgage pipe line sinking fund bonds, 3% series due June 1, 1968 at 100¾% and accrued interest. The group won award of the bonds at competitive sale on a bid of 100.22713.

The company will apply $14,000,000 of the net proceeds to the payment of its 1¾% notes due Sept. 17, 1949 and its 2 3/16% notes due May 1, 1956, and the balance, together with other of its cash resources, to the construction of additions to its properties, including facilities to increase the delivery capacity of its system. The company intends to increase the rated capacity of its pipe line system for delivery of gas to distributors and direct industrial consumers by about 42%, or from 294,000,000 to 420,000,000 cubic feet per day.

The new bonds will be redeemable at prices ranging from 103.75% to 100% and through operation of the sinking fund at prices scaled from 100.76% to 100%.

Rich., Fred. & Pot. RR. Equip. Tr. Ctfs. Offered

An underwriting group headed by Halsey, Stuart & Co. Inc. and including R. W. Pressprich & Co. and Freeman & Co. is offering today, subject to Interstate Commerce Commission authorization, $2,400,000 Richmond, Fredericksburg & Potomac RR. 2¼% equipment trust certificates, series 1948, at prices to yield from 1.20% to 2.375%, according to maturity. The certificates, issued under the Philadelphia Plan, mature $60,000 quarterly Dec. 1, 1948 to Sept. 1, 1958, inclusive.

Proceeds of the issue will be used to provide for not exceeding 80% of the cost, estimated at not less than $3,017,000.

Glasser in Charleston

CHARLESTON, S. C. — M. M. Glasser has opened offices at 42 Laurens Street, to engage in the securities business specializing in railroad and municipal bonds, and investment trusts.

DIVIDEND NOTICES

NATIONAL SHIRT SHOPS
OF DELAWARE, INC.

The Board of Directors has declared Dividend No. 27 at the rate of 20 cents per share on the Common Stock, payable July 1st, 1948, to stockholders of record June 23rd, 1948. Transfer books will not be closed.

SYLVAN COLE, Chairman of the Board

CITY INVESTING COMPANY
25 BROAD STREET, NEW YORK 4, N. Y.

June 17, 1948

The Board of Directors of this Company has this day declared the regular quarterly dividend of $1.375 per share on the outstanding 5½% Series Cumulative Preferred stock of the Company, payable July 1, 1948 to holders of record as at the close of business on June 28, 1948.

EDWARD FRAHER, Secretary.

THE BYRNDUN CORPORATION

The Directors of The Byrndun Corporation at its meeting held on June 17, 1948, declared a dividend of $1.50 per share on the Participating Preferred Stock, a dividend of $2.50 per share on the Class "A" Participating Stock, a dividend of $3.50 per share on the Second Preferred Stock, a dividend on the combined holdings of Class "A" Participating Stock, Class "A" Common Stock and Common Stock of one share of Class "B" Common Stock of Hat Corporation of America on each multiple of 20 shares; on the combined holdings of Class "A" Participating Stock, Class "A" Common Stock and Common Stock totaling less than 20 shares of 34 cents per share in cash in lieu of stock dividend; no dividend on fractional shares; all payable on July 20, 1948, to stockholders of record on July 6, 1948.

H. G. FAHLBUSCH, President

June 17, 1948

a.c.f.
AMERICAN CAR AND FOUNDRY COMPANY
30 CHURCH STREET
NEW YORK 8, N. Y.

There has been declared a dividend of one and three-quarters per cent (1¾%) on the preferred stock of this Company outstanding, payable July 7, 1948, to the holders of record of said stock at the close of business June 28, 1948.

Transfer books will not be closed. Checks will be mailed by Guaranty Trust Company of New York.

CHARLES J. HARDY, *Chairman*
HOWARD C. WICK, *Secretary*

June 17, 1948

Robbins fabrics

Colonial Mills, Inc.
498 Seventh Avenue
NEW YORK 18, N. Y.

The Board of Directors of this Corporation has declared a regular quarterly dividend of 25 cents per share on the capital stock outstanding, payable July 9, 1948 to stockholders of record June 28, 1948.

COLONIAL MILLS, Inc.
EDWARD A. WERNER, *Treasurer*
June 15, 1948

Edison

SOUTHERN CALIFORNIA EDISON COMPANY

Common Dividend No. 154
Preference Stock
4.48% Convertible Series
Dividend No. 5
Preference Stock
4.56% Convertible Series
Dividend No. 1

The Board of Directors has authorized the payment of the following quarterly dividends:

37½ cents per share on the Common Stock, payable July 31, 1948, to stockholders of record on July 5, 1948.

28 cents per share on the Preference Stock, 4.48% Convertible Series, payable July 31, 1948, to stockholders of record on July 5, 1948.

Initial dividend of 23.12 cents per share on the Preference Stock, 4.56% Convertible Series, covering the period May 18-July 31, 1948, payable July 31, 1948, to stockholders of record July 5, 1948.

O. V. SHOWERS, Secretary

June 18, 1948

DIVIDEND NOTICES

UNITED STATES SMELTING
REFINING AND MINING COMPANY

The Directors have declared a quarterly dividend of 1¾% (87½ cents per share) on the Preferred Capital Stock, and a dividend of fifty cents (50¢) per share on the Common Capital Stock, both payable on July 15, 1948 to stockholders of record at the close of business June 25, 1948.

FRANCIS FISKE,
June 16, 1948 *Treasurer.*

STANDARD FACTORS
Corporation
270 MADISON AVE., NEW YORK 16

The Directors have declared the regular quarterly dividend of 10 cents a share on the Corporation's Common Stock, payable June 30, 1948 to stockholders of record June 25, 1948.

EDWIN B. MEREDITH, *Treasurer*

PACIFIC GAS AND ELECTRIC CO.

DIVIDEND NOTICE

Common Stock Dividend No. 130

The Board of Directors on June 16, 1948 declared a cash dividend for the second quarter of the year of 50 cents per share upon the Company's Common Capital Stock. This dividend will be paid by check on July 15, 1948, to common shareholders of record at the close of business on June 25, 1948. The Transfer Books will not be closed.

E. J. BECKETT, Treasurer

San Francisco, California

ROYAL TYPEWRITER COMPANY, INC.

A dividend of 1¾%, amounting to $1.75 per share, on account of the current quarterly dividend period ending July 31, 1948, has been declared payable July 15, 1948 on the outstanding preferred stock of the Company to holders of preferred stock of record at the close of business on July 2, 1948.

A dividend of 40¢ per share and an *extra* dividend of 40¢ per share have been declared payable July 15, 1948, on the outstanding common stock of the Company, of the par value of $1.00 per share, to holders of common stock of record at the close of business on July 2, 1948.

June 23, 1948 H. A. WAY *Secretary*

ROYAL

New York, N. Y.
June 16, 1948

Philip Morris & Co. Ltd., Inc.

The regular quarterly dividend of $1.00 per share on the Cumulative Preferred Stock, 4% Series, and the regular quarterly dividend of 90¢ per share on the Cumulative Preferred Stock, 3.60% Series have been declared payable August 1, 1948 to holders of Preferred Stock of the respective series of record at the close of business on July 15, 1948.

There has also been declared the quarterly dividend of 37½¢ per share on the Common Stock, ($5 Par), payable July 15, 1948 to holders of Common Stock of record at the close of business on June 30, 1948.

Pursuant to a resolution adopted at the Stockholders' Meeting held on July 10, 1945, no Certificate representing a share or shares of Common Stock of the par value of $10 each is recognized, for any purpose, until surrendered, and a Certificate or Certificates for new Common Stock of the par value of $5 each shall have been issued therefor. Holders of Certificates for shares of Common Stock of the par value of $10 each are, therefore, urged to exchange such Certificates, for Certificates for new Common Stock of the par value of $5 per share, on the basis of two shares of new Common Stock $5 par value, for each share of Common Stock of the par value of $10.

L. G. HANSON, Treasurer.

DIVIDEND NOTICE

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

The Chase National Bank of the City of New York has declared a dividend of 40¢ per share on the 7,400,000 shares of the capital stock of the Bank, payable August 2, 1948 to holders of record at the close of business July 2, 1948.

The transfer books will not be closed in connection with the payment of this dividend.

THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK
A. J. Egger
Vice President and Cashier

FINANCIAL NOTICE

To the Holders of Preferred and Common Stock of

THE UNITED PIECE DYE WORKS

Notice is hereby given that at the special meeting of stockholders held on June 16, 1948, more than 83% of the 6½% Preferred Stock and more than 82% of the Common Stock voted in favor of the Plan of Recapitalization of the Company dated May 1, 1948. The Certificate of Amendment putting into effect the terms of the Plan was accordingly filed in the State of New Jersey on June 16, 1948.

In exchange for each share of 6½% Preferred Stock under the Plan, the holder will receive 1 share of new $4.25 Preferrd Stock of the par value of $75 a share and 9 shares of new Common Stock of the par value of 10¢ a share; and in exchange for each share of Common Stoek the holder will receive one-third share of new Common Stock of the par value of 10¢ a share.

Certificates for the new $4.25 Preferred Stock, Common Stock and Scrip Certificates for fractional shares of Common Stock to which you are entitled under the terms of the Plan of Recapitalization are now available for delivery and may be obtained from Bankers Trust Company, Corporate Trust Department, 16 Wall Street, New York 15, New York.

THE UNITED PIECE DYE WORKS,
By CHARLES BLOUNT, JR., *President.*

SITUATION WANTED

TRADER-ORDER CLERK

with commission accounts desires position with Stock Exchange firm. Box S 20, Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y.

HELP WANTED

TRADER-SALESMAN

wanted by high-grade, well capitalized over-the-counter firm. An experienced man with an established clientele will be offered a drawing account of $150 weekly against a liberal commission basis. Address our Advertising Agency: "CHZ" Room 2800, 55 Liberty Street, New York.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—This Congress, which has left the heat of Washington for the heat of political conventions, has probably resisted more tenaciously than any Congress in a little more than a decade, strongly-backed proposals to extend government encroachment over the business of the nation.

Observers have concluded this in the course of casting up the accounts of the Congress, a little game which came into vogue here with Harry Truman's assertion that the 80th was the second worst Congress in history.

Another of their conclusions was that the record indicates that the 80th showed remarkable fortitude in resisting the temptation to spend billions of money the government doesn't have on scores of new and better benefits to millions of the voters. This resistance was shown in an election year, in advance of a political campaign in which the Congressional majority apparently had the first chance in 16 years to capture the Administration, and in the face of the fact that it was known the Administration supporters would get the benefit of proposing spending programs and the Congress the blame for opposing them.

* * *

Furthermore, the Congress chalked up this kind of a record in the face of a terrific obstacle. That obstacle was the lack of the leadership. If the White House and the Congressional majority are of the same party, the business of legislation is much simpler. The Congressional leaders look to the President to initiate and coordinate party policy. They may disagree now and then violently with their President, and force him to modify his strategy—but there is one place, one individual, to whom they can look for leadership. The majority party of the 80th Congress had leaders, but no leadership. Its dispersion of leadership was inherent in its lack of control either of the White House or possession of a single acknowledged, outstanding, indisputable party leader.

* * *

Aggravating the leadership problem was the fact that the Congress was full of presidential aspirants, open or covert, most notable being Senators Taft and Vandenberg, Speaker Martin, and a vice-presidential candidate, the man on the horse, Senator Glen H. Taylor of Idaho. Or it was full of followers of this or that presidential hopeful.

This fact of dispersion of leadership bobbed up constantly during the 80th Congress, most recently in the fight over the public housing bill. This bill was tagged as a Taft measure. One of the foremost House leaders was a Dewey man, and he had influential followers. The other top House leader was a hopeful on his own. Stopping Taft was a phase of the killing of the omnibus Housing bill, although close observers do not believe that was the decisive element in its defeat.

* * *

Part of the fiasco at the end over the draft and foreign aid is said to bring into bold relief this weakness in leadership. Whether the draft or ERP are "good" or "bad" measures is said to be beside the point. The Congressional majority had backed ERP and the draft. Consequently they were chagrined when the House initially cut the legs from under the draft. House leaders were less chagrined when the actual appropriation first adopted for ERP was so far below the authorization previously approved. But this back-track disclosed the lack of coordination between House and Senate leadership in the majority party.

* * *

Absence of central leadership is believed to explain in part why the GOP-controlled Congress was unable to go on the offensive in any marked degree in recapturing some of the territory lost to governmentalism during the last 16 years. The biggest part of the explanation, however, lies in the fact that the White House is controlled by the opposition to the Congressional majority. That control is equivalent through the veto to a third of the votes of all the Congress, a hefty obstacle to overcome.

* * *

Congress avoided raising minimum wages, a proposal vigorously espoused by the White House. It was explained that probably the decisive consideration behind the rejection of into the program, national health insurance, aid to disabled, and Federal financial aid to education, was strong. Of these proposals, only aid to education got much of a "run" in Congress, because it was backed by Senator Taft. All the other proposals, involving vast commitments for the future, got little into the news only because the 80th Congress refused, in the main, to give these proposals a hearing. Aid to local education, after passing the Senate, was killed in House committee.

Congress pressed "civil rights" just far enough to help inflame the Southern Democratic revolt, but without changing the social life of the nation by Federal statute, or requiring employers to change employment practices.

* * *

The 80th Congress, by affirmative action, did more than halt the expansion of controls or the advance of spending programs, by withholding legislative action.

What the Congressional leaders cite as one of their main achievements was the enactment of the Taft-Hartley law, an amendment to the Wagner Labor Act of 1935. This law for the first time imposed obligations upon labor unions to desist from certain unfair labor practices, and provided some other limits upon the discretion of union leaders. This law was adopted over a Presidential veto and despite the opposition **this proposition was that Congress was not disposed to raise minimum wages without at the same time sandpapering off the ragged edges of administrative interpretations expanding the scope of the wage-hour law.**

Against all the force of Administration prestige, it is noted, the Congress loosened somewhat the grip the government holds on rents for homes, with a view to paving the way for the eventual abolition of such controls.

White House backing for the whole "sociological" program of expanded social security, including the coverage of millions and prospective political vengeance of the leaders of nearly all the big labor unions.

Due to the necessity to win sufficient votes to override the veto, the scope of the law's reforms was curtailed substantially. Already, however, plans are under way to tighten up the act further with a view of circumscribing the caprice of union leaders when the public interest is involved.

* * *

Congress also enacted a $5 to $6 billion reduction in individual income taxes. Congressional spokesmen suggest that this tax cut has a certain long-range significance, other than its immediate effect of a curtailment in tax liabilities. This significance is that with a tax reduction achieved (and after three White House vetos) there is achieved a curtailment in government revenues which has an important bearing on the subject of expanding government benefits of all kinds. Now that the tax cut is enacted, expanding "the social frontiers" cannot be brought about except by an increase in taxation. An increase in taxation would thus be a prerequisite to enactment of some of the sociological proposals advanced by the White House during the past two years, but ignored by Congress. Congress also tossed out the window without an apparent qualm the White House proposal to grant a specific tax reduction of $40 for every person.

* * *

During the 80th Congress, however, little progress was achieved in effecting a reduction in government spending, even without regard to expanded defense and foreign aid programs. The latter two subjects brought about a penetration beyond a peace-time level of $40 billion for government expenses. In order to "hold the line" against many big spending programs, the Congress did expand some of the smaller ones, in the nature of bigger benefits to veterans, greater pay for some government employees, and the like.

* * *

Probably the greatest resistance to large spending programs was typified by the killing of the public housing and slum clearance programs, which would entail irrevocable subsidies of 40 years' duration for public housing. This program initially got a "show" because of Senator Taft's backing, but its passage through the Senate and its tremendous backing in the House was explained by a far greater support.

In the end veterans' organizations, hundreds of mayors, labor organizations, and even state governors, were mobilized behind the bill. Even though it was generally acknowledged that if opened to a vote in the House, it was in danger of passing, the House leadership refused to let it come to a vote, incurring the wrath of the largest pressure group built up on behalf of any purely domestic issue during the 80th Congress.

BUSINESS BUZZ

"That son of mine back home is getting lazier every day! Now he wants to come to Washington and be a Senator!"

Investment Dealers Association of Canada

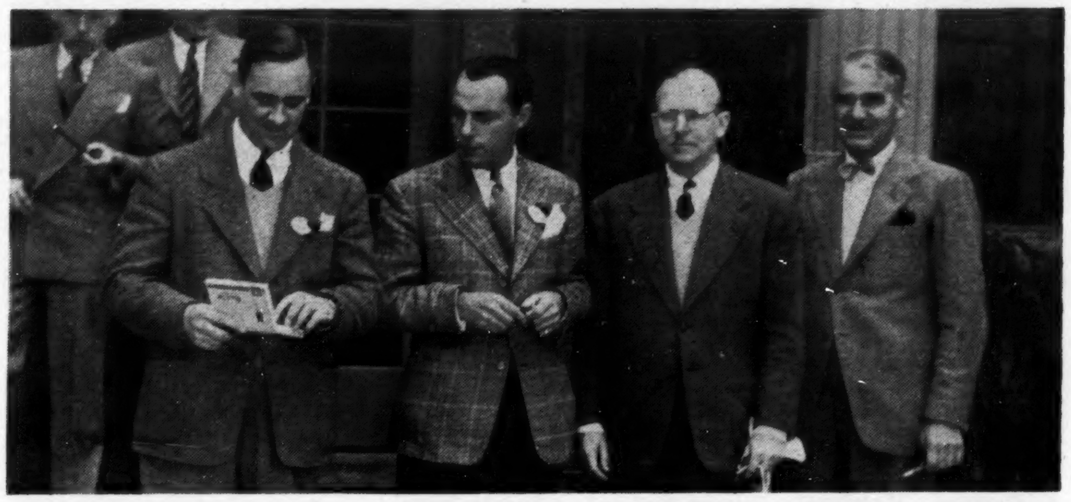
Trevor Moore, *McLeod, Young, Weir & Co.*, Toronto; H. L. Gassard, Director of Education, Investment Dealers Association of Canada

James Gairdner, *Gairdner & Co., Ltd.*, Toronto, retiring President of the I. D. A., addressing annual meeting at Manoir Richelieu

E. M. Kennedy, *Midland Securities Corp.*, London, Ont.; J. E. Sydie, *Sydie, Sutherland & Driscoll, Ltd.*, Edmonton, Alta.

C. J. Dale, *Pemberton & Son*, Vancouver; F. J. Brennan, *F. J. Brennan & Co., Ltd.*, St. John, N. B.; C. T. Graham, *Waterloo Bond Corp.*, Kitchener, Ont.; V. S. Castledine, *V. S. Castledine & Co., Ltd.*, Ottawa

Gerald Ryan, *L. G. Beaubien & Co.*, Montreal; E. F. Dunstan, Director of Marketing, *International Bank for Reconstruction and Development*, New York; James Gairdner, *Gairdner & Co., Ltd.*, Toronto; Julien Collins, *Julien Collins & Co.*, Chicago



C. P. Keely, *Nesbitt, Thomson & Co.*, Toronto; J. I. Crookston, *Nesbitt, Thomson & Co.*, Toronto; A. D. Hunt, *W. C. Pitfield & Co.*, Montreal; J. D. Bulgin, *Dominion Securities Corp.*, Winnipeg

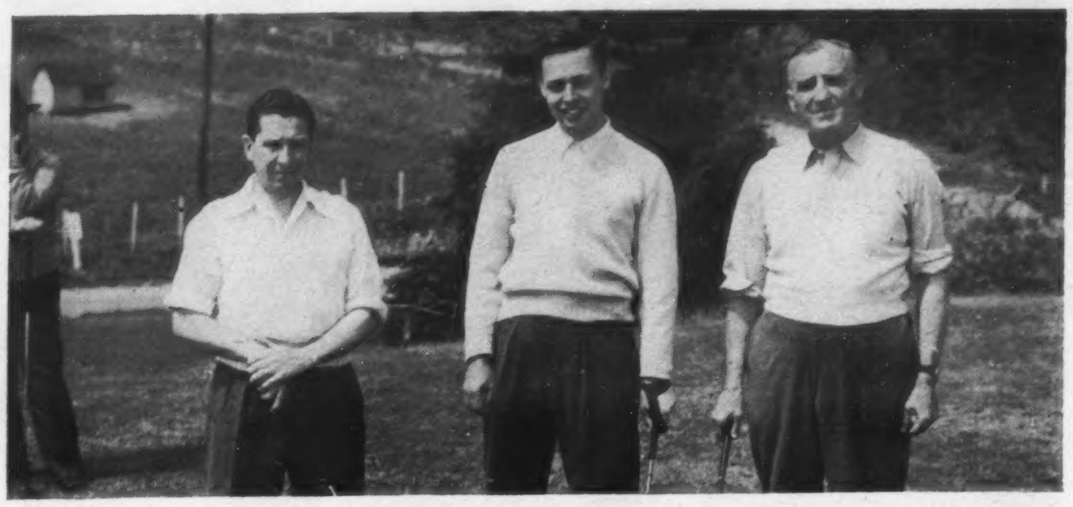
Hal Murphy, *Financial Chronicle*, New York; F. O. Evans, *McLeod, Young, Weir & Co.*, Montreal; H. S. Backus, *McLeod, Young, Weir & Co., Ltd.*, Toronto

Henri Turgeon, *Greenshields & Co.*, Montreal; J. L. Levesque, *Credit Interprovincial, Ltee.*, Montreal; Eme Lacroix, K. C., *Credit Interprovincial, Ltee.*, Montreal

W. T. White, *G. E. Leslie & Co.*, Halifax; W. J. Borrie, *Pemberton & Son, Vancouver, Ltd.*, Vancouver; T. H. Bieler, Assistant Treasurer of the Province of Quebec

Holds Annual Meeting June 12-16, 1948

W. A. Lofft, *Wood, Gundy & Co.*, Toronto; J. H. Joyce, *Financial Post*, Toronto; J. A. Rhind, *Mills, Spence & Co., Ltd.*, Toronto; Dudley Dawson, *Dudley Dawson, Ltd.*, Montreal



Rod Copland, *Oldfield, Kirby & Gardner, Ltd.*, Winnipeg; James Richardson, *James Richardson & Sons*, Toronto; Eric D. B. Kippen, *Kippen & Co., Inc.*, Montreal

Reg Steers, *R. D. Steers & Co., Ltd.*, Ottawa; Hector Vidricaire, *James Richardson & Sons*, Vancouver, B. C.; Joseph W. G. Clark, Executive Assistant to President of Investment Dealers Assn.; Hall Tingley, *Wood, Gundy & Co., Ltd.*, Vancouver, B. C.

P. K. Knubley, *Bell, Gouinlock & Co., Ltd.*, Montreal; John Ledoux, *James Richardson & Sons*, Montreal; Walter L. Downes, *Kippen & Company, Inc.*, Montreal; H. H. Rath, *Thomson & Co.*, Montreal

Edward Mulqueen, *Mills, Spence & Co., Ltd.*, Toronto; Murray Cox, *Greenshields & Co., Inc.*, Montreal; L. G. Mills, *Mills, Spence & Co., Ltd.*, Toronto; W. T. K. Collier, *Collier, Norris & Quinlan*, Montreal

H. E. Cochran, *Cochran, Murray & Co.*, Toronto; Louis Gelinas, *Geoffrion, Robert & Gelinas*, Montreal; Ernest Savard, *Savard, Hodgson & Co.*, Montreal; R. W. Gouinlock, *Bell, Gouinlock & Co.*, Toronto

J. D. Bulgin, *Dominion Securities Corp.*, Winnipeg; H. N. Bawden, *Dominion Securities Corp.*, Toronto; D. H. Ward, *Dominion Securities Corp.*, Toronto

J. D. Wood, *A. E. Ames & Co., Ltd.*, Toronto; S. B. Kimber, *A. E. Ames & Co., Ltd.*, Montreal

J. A. Weldon, *W. C. Pitfeld & Co.*, Montreal; Ralph Jones, *Eastern Securities Co., Ltd.*, Charlottetown, P. E. I.; J. H. Christie, *R. A. Daly & Co., Ltd.*, Toronto

At Manoir Richelieu, Quebec

P. R. Payn, *W. C. Pitfield & Co., Ltd.*, Toronto; J. E. Choat, *James Richardson & Sons*, Toronto; Geo. Beves, *Calvin Bullock, Ltd.*, Montreal

W. T. Moran, *Greenshields & Co., Ltd.*, Montreal; Joseph Beaubien, Jr., *L. G. Beaubien & Co.*, Montreal; W. D. McAlpine, *Brawley, Cathers & Co.*, Toronto; L. F. Webster, *Beatty, Webster & Co.*, Toronto

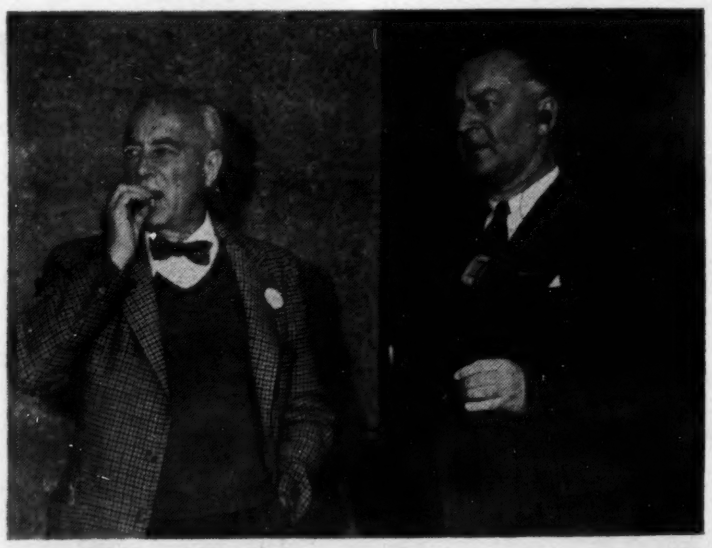
R. H. Dean, *Nesbitt, Thomson & Co., Ltd.*, Montreal; G. G. Ryan, *L. G. Beaubien & Co.*, Montreal; Jack Kingsmill, Secretary of the I. D. A.

Julien Collins, *Julien Collins & Co.*, Chicago; Trevor F. Moore, *McLeod, Young, Weir & Co.*, Toronto; Louis G. Mudge, *International Bank for Reconstruction and Development*, New York

Pierre Fugere, *Hamel, Fugere & Co.*, Quebec; John Graham, *John Graham & Co.*, Ottawa; J. E. Garneau, *Garneau, Boulanger & Co.*, Quebec; J. N. E. Grenier, *Grenier, Ruel & Co.*, Quebec

E. R. Pope, *Milner, Ross & Co.*, Toronto; H. N. Stanbury, *Stanbury & Co., Ltd.*, Halifax; R. N. Trudeau, *Savard, Hodgson & Co.*, Montreal

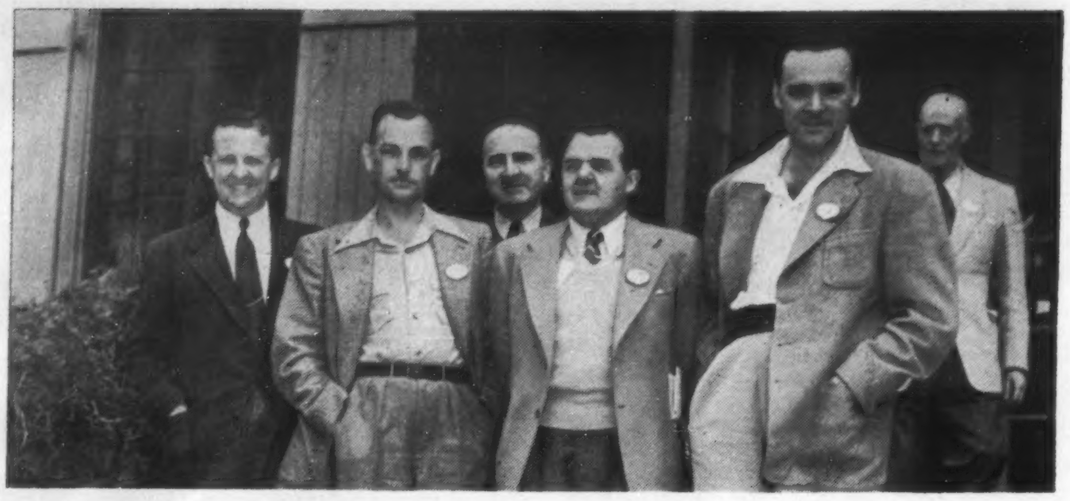
G. F. Styles, Treasury Dept., Province of Quebec; J. H. Bieler, Deputy Minister of the Treasury of the Province of Quebec



W. A. Woodcock, *Charles H. Burgess & Co.*, Toronto; Arthur Dymond, *Fairclough & Co., Ltd.*, Toronto

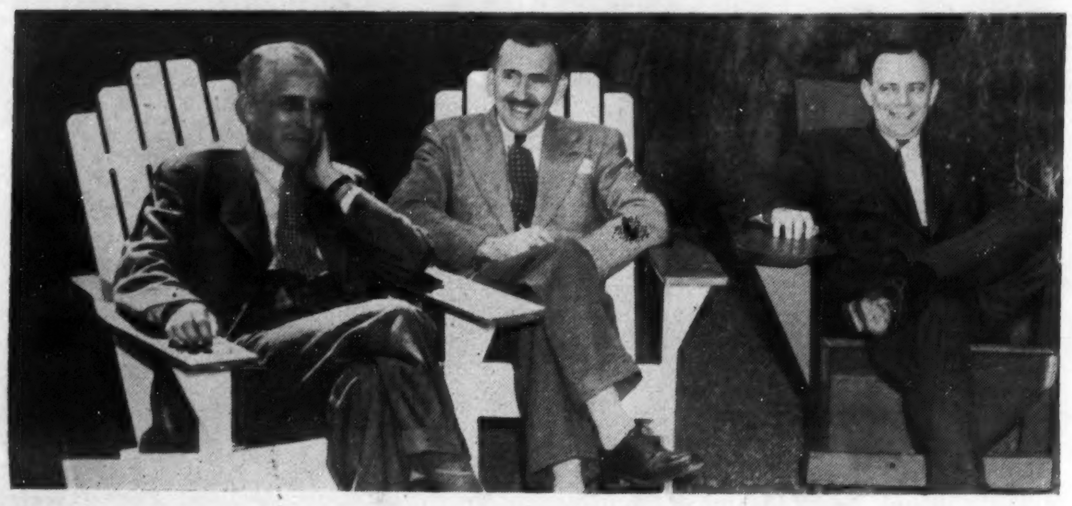
C. S. Robinson, *Osler, Hammond & Nanton*, Calgary, Alta.; D. R. Dattels, *D. R. Dattels & Co.*, Kitchener, Ont.

Reports Large, Enthusiastic Attendance

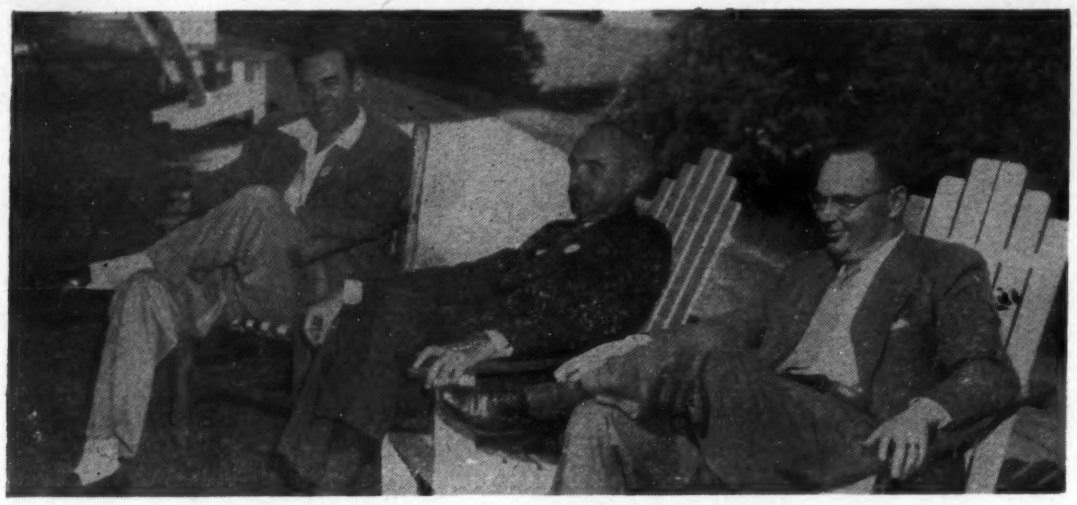


D. J. Wilkins, *Fry & Co.*, Toronto; G. E. A. McCain, *G. E. Leslie & Co.*, Montreal; J. S. Ramsay, *McTaggart, Hannaford, Birks & Gordon, Ltd.*, Montreal; D. G. Simpson, *Midland Securities, Ltd.*, Toronto; J. A. D. Falkner, *Wood, Gundy & Co.*, Montreal

S. B. Hammond, *Royal Securities Corp.*, Montreal; W. E. Dunton, Auditor, Eastern District, Investment Dealers Association of Canada; W. E. Macfarlane, *Mead & Co., Ltd.*, Montreal



F. C. Fisher, *Eastern Securities Co., Ltd.*, St. John, N. B.; R. M. Jones, *Eastern Securities Co., Ltd.*, Charlottetown, P. E. I.; W. J. Kirby, *Eastern Securities Co., Ltd.*, Moncton, N. B.



J. A. D. Falkner, *Wood, Gundy & Co., Ltd.*, Montreal; R. O. Bull, *Gairdner & Co., Ltd.*, Toronto; Bob Howard, *Gairdner & Co.*, Montreal

J. T. Troyer, *Thomson & McKinnon*, Toronto; C. de V. Welsford, *Bank of Canada*, Montreal

W. A. Wall, and E. J. McDonnell, *Intercity Security Corp.*, Toronto

N. D. Young, *Dominion Securities Corp.*, Toronto; Peter Kilburn, *Greenshields & Co.*, Montreal

R. G. McCulloch, *Osler, Hammond & Nanton*, Winnipeg; Donald W. Partridge, *Canadian Alliance Corp.*, Montreal

H. S. Griffin, *Wood, Gundy & Co.*, Halifax, N. S.; C. L. Gundy, *Wood, Gundy & Co.*, Toronto

Bond Club of Los Angeles

D. J. Bogardus, *Bogardus, Frost & Banning;* James S. Riley, *Bingham, Walter & Hurry;* George Schindhelm, *California Bank;* Theodore E. Hammond; F. C. De Lap, *John B. Dunbar & Co.;* R. H. Moulton, *R. H. Moulton & Company;* Gerald M. Goodman, *Lord Abbett & Co.*

Chef Pache; Donald W. Moulton, *R. H. Moulton & Company,* and Claude C. Richards, *R. H. Moulton & Company,* doubles winners in the tennis tournament

Louis M. Fabian, *Fabian & Co.;* Fred H. Denison, *Calvin Bullock;* Harry W. Hurry, *Bingham, Walter & Hurry;* John G. Gallaher, *Putnam Fund Distributors, Inc.;* Lawrence S. Pulliam, *Weeden & Co.*

W. S. Patterson, *Blyth & Co., Inc.;* Sylvester M. Scott, Jr., *Blyth & Co., Inc.;* Gerald M. Goodman, *Lord, Abbett & Co., Inc.;* Charles E. Driver; John B. Dunbar, *John B. Dunbar & Co.*

A. C. Purkiss, *Walston, Hoffman & Goodwin;* Gordon B. Carey, *Pacific Company of California;* W. S. Patterson, *Blyth & Co., Inc.;* and E. J. Evans, *First California Co.*

Baseball Chairman Steve Manning, *Paine, Webber, Jackson & Curtis,* makes awards to baseball winners "Casey's Crocks"

Annual Field Day at Bel-Air Country Club

Jo M French, *Blyth & Co., Inc.*, turns newsboy to sell "Bawl Street Journal" to Elwood J. Robinson, *Elwood J. Robinson Advertising Agency*, and W. Wayne Glover (seated) of *California Bank*

F. C. De Lap, *John B. Dunbar & Co.*; Warren H. Crowell, *Crowell, Weedon & Co.* (with tally-sheet); R. N. Gregory, *Harbison & Gregory* (pointing to peg); Homer D. Crotty, *Gibson, Dunn & Crutcher*

James E. Edgerton, *Edgerton, Wykoff & Co.*, receiving award from Clifford E. Poindexter, *Turner-Poindexter & Co.*

W. S. Patterson, *Blyth & Co., Inc.*, Golf Chairman, tees off; Mr. Patterson was runner-up in the golf tournament with a net score of 69

William S. Hughes, *Wagenseller & Durst, Inc.*; Donald E. Summerell, *Wagenseller & Durst, Inc.*

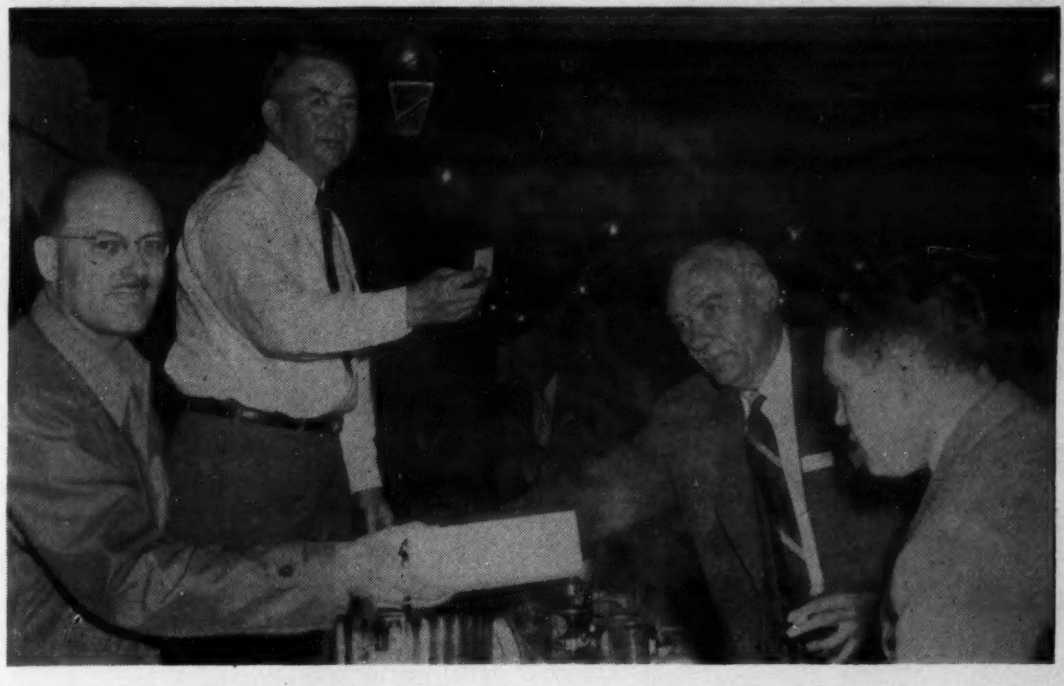
After-dinner entertainment held the attention of this group of members till the early hours

Attended by 250 Members and Associate Members

Lloyd C. Young, *Pacific Company of California*; Joseph F. Gallegos, *Pacific Company of California*; V. C. Smith, *Pacific Company of California*

Walter J. Braunschweiger, *Bank of America N. T. & S. A.*; John B. Dunbar, *John B. Dunbar & Co.*

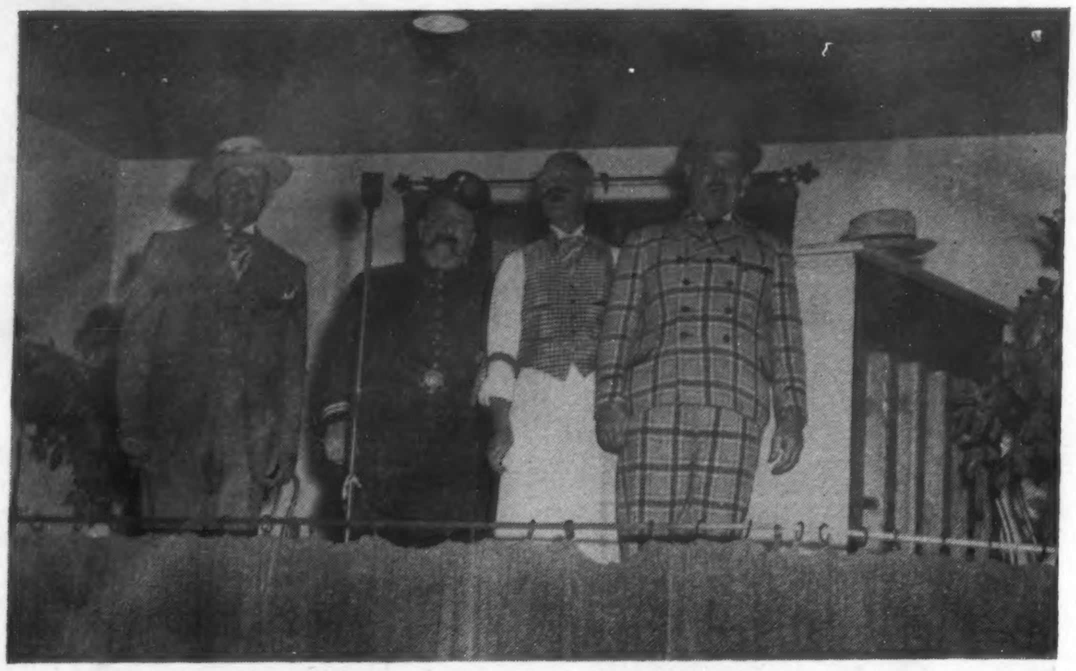
Willard G. De Groot, Harold H. Butterworth, and John L. Devlin, all of *Bateman, Eichler & Co.*



Lawrence S. Pulliam, *Weeden & Co.*; Clifford E. Poindexter, *Turner-Poindexter & Co., Inc.*; Carey S. Hill, *Hill Richards & Co.*, Vice-President of the Bond Club; George H. Earnest, *Fewel & Co.*

Two Baseball Teams *"Casey's Crocks"* and *"Royce's Wrecks"* Line up before the game

Pronounced Huge Success



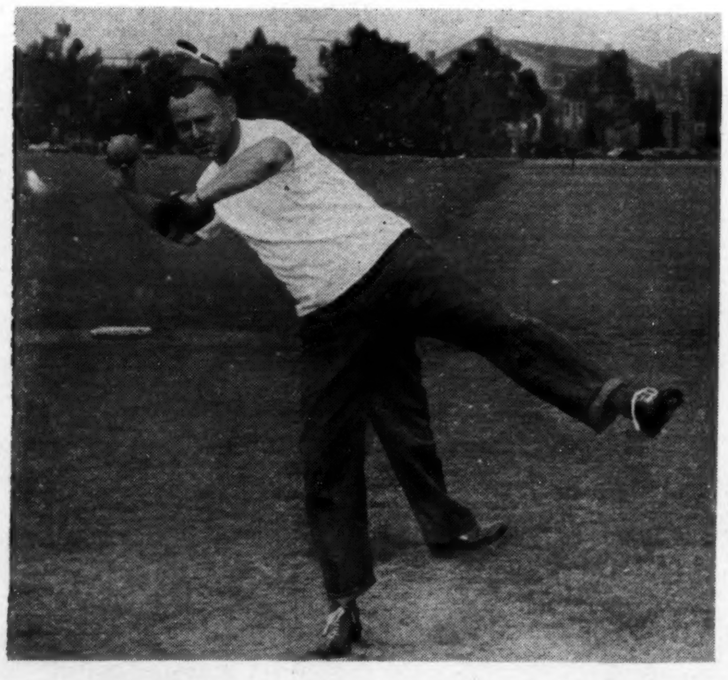
Community singing was led by a quartet dressed for the part

Hoggy Evans, *First California Co.* and Sam Green, *Pledger & Co.*

Benjamin A. Walter, *Bingham, Walter & Hurry;* Ralph D. Lovendale, *Blyth & Co., Inc.;* F. H. Breen, *F. H. Breen & Co.*

Rufus Lee Carter, *Carter & Whitney;* Gerald M. Goodman, *Lord, Abbett & Co.;* F. Stuart Roussel, *First California Co.;* Carey S. Hill, *Hill, Richards & Co.*, assist entertainer Betty Gordon with some barber shop harmony

Bel-Air Policeman Art Smith censors costume of entertainer Janese Cameron, while F. Stuart Roussel, *First California Company,* Entertainment Chairman, looks on



Hartley Smith, *Dean Witter & Co.*, pitched the winning baseball team "Casey's Crocks" to a thrilling 8 to 7 victory. Close observers of the above picture will understand why

Joseph L. Ryons, *Pacific Company of California;* George Schindhelm, *California Bank*